



Metsimaholo Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2013

Auditor-General of South Africa

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal form of entity</b>	Local municipality
<b>Municipal demarcation code</b>	FS204
<b>Nature of business and principal activities</b>	Services delivery
<b>Chief whip</b>	Soetsang TL
<b>Executive mayor</b>	Mahlaku BT
<b>Speaker</b>	Matena SZ
<b>Mayoral committee</b>	Khonto MW Kubheka NJ Lempe LS (untill 31 December 2012) Mabasa KT (appointed as Chair person MPAC from October 2012) Moreki S (untill November 2012) Radebe AN Semonyo LS Tshongwe SL
<b>Councillors</b>	Chebase LR Coetzer FC Du Plessis J Du Toit T Geyser JJ Grobbelaar JJ Holt S Khunou SB Machaea MF Mahlangu PJ Mare AK Maseko VJ Mdola NL Mofokeng SS Mofokeng TJ Mokoena DE Moolman HJ Mosia TE Mosia MM Motloutse DN Msimanga MJ Nthebe MD Ntoane MG Oswald DM Phepheng-Lelahla JM Poho MS Ramathesele SI Sejaki MN Tamane MA Viljoen JD Van der Walt MC
<b>Grading of local authority</b>	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
<b>Capacity of local authority</b>	Deneysville Metsimaholo Oranjeville Refengkgotso Sasolburg

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

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	Vaalpark Zamdela
<b>Accounting Officer</b>	Molala SM
<b>Acting Accounting Officer</b>	Thekiso R (November 2011 till 26 October 2012)
<b>Chief Finance Officer (CFO)</b>	Mokoena ME (June 2008 till January 2013)
<b>Acting Chief Finance Officer (CFO)</b>	Vorster A (February 2013 up to date)
<b>Registered office</b>	Civic Centre Fichard Street Sasolburg 1947
<b>Business address</b>	Civic Centre Fichard Street Sasolburg 1947
<b>Postal address</b>	PO Box 60 Sasolburg 1947
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Lebea and Associates Attorneys LM Mokhele Inc Moroka Attorneys Ndobela Attorneys Nkaiseng Attorneys Raphela Incorporated

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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The reports and statements set out below comprise the annual financial statements presented to the council:

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### Abbreviations

GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)

# **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page x.

The annual financial statements set out on page x-x, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2013 and were signed on its behalf by:

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**Municipal Manager**  
**SM Molala**

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	8	9 184 281	7 675 888
Inventories	9	20 963 554	18 098 857
Other financial assets	7	12 585 682	16 270 580
Receivables from exchange transactions	10	80 180 945	74 605 780
Receivables from non-exchange transactions	11	29 170 033	28 997 521
VAT receivable	12	3 563 897	5 384 647
		<b>155 648 392</b>	<b>151 033 273</b>
Non-Current Assets			
Investment property	3	77 880 709	79 259 500
Property, plant and equipment	4	863 681 183	830 074 527
Intangible assets	5	266 846	134 207
Heritage assets	6	561 000	561 000
Other financial assets	7	145 725	127 111
		<b>942 535 463</b>	<b>910 156 345</b>
<b>Total Assets</b>		<b>1 098 183 855</b>	<b>1 061 189 618</b>
<b>Liabilities</b>			
Current Liabilities			
Finance lease obligation	16	12 516 576	9 209 342
Operating lease liability	17	483 626	389 364
Payables from exchange transactions	18	130 164 365	120 230 235
Consumer deposits	19	12 170 254	10 647 537
Unspent conditional grants and receipts	20	5 108 592	8 040 403
Short term portion - Long term loan	15	477 961	-
Short term loan	21	6 436 878	-
		<b>167 358 252</b>	<b>148 516 881</b>
Non-Current Liabilities			
Landfill closure provision	13	31 600 191	29 811 501
Employee benefits obligation	14	45 369 573	40 934 758
Long term loan	15	8 522 039	-
		<b>85 491 803</b>	<b>70 746 259</b>
<b>Total Liabilities</b>		<b>252 850 055</b>	<b>219 263 140</b>
<b>Net Assets</b>		<b>845 333 800</b>	<b>841 926 478</b>
Accumulated surplus		845 333 800	841 926 478

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
<b>Revenue from exchange transactions</b>			
Service charges	24	371 290 821	323 360 171
Rental of facilities and equipment		4 144 191	4 256 346
Interest received - consumers	23	13 747 339	17 799 107
Interest received - investment	23	1 542 782	2 357 394
Dividends received		-	59 064
Licences and permits		119 927	66 438
Connection fees		1 436 761	1 583 422
Income legal costs		2 209 750	1 923 880
Levies - refuse dumpyard		2 856 646	464 125
Non-payment fees		2 449 096	3 068 259
Other income	27	2 568 802	2 454 749
<b>Revenue from non-exchange transactions</b>			
Property rates	25	92 484 526	86 651 759
Fines		4 194 174	6 307 852
Government grants & subsidies	26	167 444 392	132 354 992
Public contributions and donations	28	500 000	-
<b>Total revenue</b>		<b>666 989 207</b>	<b>582 707 558</b>
<b>Expenditure</b>			
Employee related costs	30	(170 172 045)	(159 025 946)
Remuneration of councillors	31	(12 101 917)	(11 916 113)
Depreciation and amortisation	32	(43 277 049)	(59 178 748)
Finance costs	34	(1 173 785)	(3 312 252)
Debt impairment	33	(62 462 239)	(79 875 482)
Repairs and maintenance		(23 207 956)	(24 326 567)
Bulk purchases	38	(235 117 892)	(204 194 369)
Contracted services	36	(20 059 689)	(15 953 432)
Grants and subsidies paid	37	(30 957 609)	(17 690 156)
General expenses	29	(62 992 406)	(66 151 461)
<b>Total expenditure</b>		<b>(661 522 587)</b>	<b>(641 624 526)</b>
<b>Operating surplus (deficit)</b>		<b>5 466 620</b>	<b>(58 916 968)</b>
Loss on disposal of assets and liabilities		-	(583 782)
Actuarial loss		(2 610 176)	(4 471 846)
Fair value adjustments		2 965 760	(1 967 529)
Proceeds on sale of property, plant and equipment		281 384	350 803
Surplus/(Loss) on inventory		10 301	82 112
Deficit on derecognition of liabilities		(3 221 146)	-
Fair value of shares		514 576	377 633
		<b>(2 059 301)</b>	<b>(6 212 609)</b>
<b>Surplus (deficit) for the year</b>		<b>3 407 319</b>	<b>(65 129 577)</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported		935 343 403	935 343 403
Prior year adjustments	43	(28 287 348)	(28 287 348)
<b>Balance at 01 July 2011 as restated</b>		<b>907 056 055</b>	<b>907 056 055</b>
Surplus for the year		(65 129 577)	(65 129 577)
		(65 129 577)	(65 129 577)
Opening balance as previously reported		846 622 811	846 622 811
Prior year adjustments	43	(4 696 330)	(4 696 330)
<b>Balance at 01 July 2012 as restated</b>		<b>841 926 481</b>	<b>841 926 481</b>
Surplus for the year		3 407 319	3 407 319
		3 407 319	3 407 319
<b>Balance at 30 June 2013</b>		<b>845 333 800</b>	<b>845 333 800</b>



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		92 484 526	86 651 759
Sale of goods and services		303 253 417	264 511 247
Grants		165 012 581	127 998 943
Interest income		15 290 121	20 156 501
Other receipts		23 473 119	13 840 514
		<b>599 513 764</b>	<b>513 158 964</b>
<b>Payments</b>			
Employee costs		(180 485 272)	(169 254 615)
Suppliers		(318 826 949)	(249 957 089)
Finance costs		(1 173 785)	(3 312 252)
Other payments		(20 059 689)	(15 953 432)
		<b>(520 545 695)</b>	<b>(438 477 388)</b>
<b>Net cash flows from operating activities</b>	39	<b>78 968 069</b>	<b>74 681 576</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(78 025 664)	(51 036 119)
Proceeds from sale of property, plant and equipment	4	1 122 900	-
Purchase of investment property	3	-	(35 300 282)
Proceeds from sale of investment property	3	1 353 000	-
Purchase of intangible assets	5	(87 791)	-
Proceeds on sale of property, plant and equipment		281 384	(232 979)
<b>Net cash flows from investing activities</b>		<b>(75 356 171)</b>	<b>(86 510 316)</b>
<b>Cash flows from financing activities</b>			
Movement in long term loan		9 000 000	-
Finance lease payments		(11 103 505)	(15 630 981)
Dividends received		-	(59 064)
<b>Net cash flows from financing activities</b>		<b>(2 103 505)</b>	<b>(15 690 045)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1 508 393</b>	<b>(27 518 785)</b>
Cash and cash equivalents at the beginning of the year		7 675 888	35 194 673
<b>Cash and cash equivalents at the end of the year</b>	8	<b>9 184 281</b>	<b>7 675 888</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	426 462 740	-	426 462 740	371 290 821	(55 171 919)	54.1
Rental of facilities and equipment	4 502 960	100 000	4 602 960	4 144 191	(458 769)	54.2
Interest received (trading)	16 001 800	50 000	16 051 800	13 747 339	(2 304 461)	54.3
Non-payment fees	1 800 000	400 000	2 200 000	2 449 096	249 096	
Licences and permits	155 500	-	155 500	119 927	(35 573)	54.4
Fines	12 006 680	3 300	12 009 980	4 194 174	(7 815 806)	54.5
Levies - refuse dumpyard	100 000	1 200 000	1 300 000	2 856 646	1 556 646	
Connection fees	2 672 000	-	2 672 000	1 436 761	(1 235 239)	
Other income - (rollup)	7 562 550	520 540	8 083 090	2 568 802	(5 514 288)	
Income legal costs	2 000 000	(300 000)	1 700 000	2 209 750	509 750	
Interest received - investment	2 300 000	(1 000 000)	1 300 000	1 542 782	242 782	54.6
<b>Total revenue from exchange transactions</b>	<b>475 564 230</b>	<b>973 840</b>	<b>476 538 070</b>	<b>406 560 289</b>	<b>(69 977 781)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	90 245 380	-	90 245 380	92 484 526	2 239 146	54.7
Government grants & subsidies	134 323 050	(2 717 500)	131 605 550	167 444 392	35 838 842	54.8

##### Transfer revenue

Public contributions and donations	-	-	-	500 000	500 000	
<b>Total revenue from non-exchange transactions</b>	<b>224 568 430</b>	<b>(2 717 500)</b>	<b>221 850 930</b>	<b>260 428 918</b>	<b>38 577 988</b>	
<b>Total revenue</b>	<b>700 132 660</b>	<b>(1 743 660)</b>	<b>698 389 000</b>	<b>666 989 207</b>	<b>(31 399 793)</b>	

#### Expenditure

Personnel	(185 953 580)	(1 158 580)	(187 112 160)	(170 172 045)	16 940 115	54.9
Remuneration of councillors	(12 791 370)	-	(12 791 370)	(12 101 917)	689 453	54.10
Depreciation and amortisation	(50 000 000)	-	(50 000 000)	(43 277 049)	6 722 951	54.11
Finance costs	(21 075 940)	16 757 580	(4 318 360)	(1 173 785)	3 144 575	54.12
Debt impairment	(45 000 000)	-	(45 000 000)	(62 462 239)	(17 462 239)	54.13
Repairs and maintenance	(53 398 580)	646 130	(52 752 450)	(23 207 956)	29 544 494	54.14
Bulk purchases	(253 112 310)	955 090	(252 157 220)	(235 117 892)	17 039 328	54.15
Contracted Services	(16 091 260)	(3 800 400)	(19 891 660)	(20 059 689)	(168 029)	54.16
Grants and subsidies paid	(31 514 650)	-	(31 514 650)	(30 957 609)	557 041	54.17
General Expenses	(93 552 540)	14 777 355	(78 775 185)	(62 992 406)	15 782 779	54.18
<b>Total expenditure</b>	<b>(762 490 230)</b>	<b>28 177 175</b>	<b>(734 313 055)</b>	<b>(661 522 587)</b>	<b>72 790 468</b>	
<b>Operating surplus</b>	<b>(62 357 570)</b>	<b>26 433 515</b>	<b>(35 924 055)</b>	<b>5 466 620</b>	<b>41 390 675</b>	
Actuarial loss	-	-	-	(2 610 176)	(2 610 176)	
Fair value adjustments	-	-	-	2 965 760	2 965 760	
Proceeds on sale of property, plant and equipment	9 000 000	-	9 000 000	281 384	(8 718 616)	54.19
Surplus/(Loss) on inventory	-	-	-	10 301	10 301	

# Metsimaholo Local Municipality

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## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit on derecognition of liabilities	-	-	-	(3 221 146)	<b>(3 221 146)</b>	
Surplus on distribution of non-cash assets to owners	-	-	-	514 576	<b>514 576</b>	
	<b>9 000 000</b>	<b>-</b>	<b>9 000 000</b>	<b>(2 059 301)</b>	<b>(11 059 301)</b>	
<b>Surplus</b>	<b>(53 357 570)</b>	<b>26 433 515</b>	<b>(26 924 055)</b>	<b>3 407 319</b>	<b>30 331 374</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(53 357 570)</b>	<b>26 433 515</b>	<b>(26 924 055)</b>	<b>3 407 319</b>	<b>30 331 374</b>	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 44 Changes in accounting policy.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the historical outcomes indicate future outcomes assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including level of risk, location, arrangements, supply demand, together with economic factors such as inflation and interest.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

##### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

##### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14 - Employee benefit obligations.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 Investment property (continued)

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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### 1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Leasehold property	3 - 9 years
Plant and machinery	3 - 15 years
Furniture and fixtures	3 - 30 years
Motor vehicles	3 - 20 years
Office equipment	3 - 10 years
Infrastructure	5 - 50 years
Other property, plant and equipment	2 - 5 years

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, excluding rights granted by statute, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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### 1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

### 1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 4 - Heritage assets.



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### 1.6 Heritage assets (continued)

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

#### Subsequent measurement

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non-current investments (shares)	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term loan	Financial liability measured at amortised cost
Trade and other payables	Financial liability loans and receivables at amortised cost

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

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### 1.7 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.7 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### Derecognition

#### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

#### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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## Accounting Policies

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### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

### 1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Metsimaholo Local Municipality

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### 1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

The recoverable amount of a cash-generating asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

# Metsimaholo Local Municipality

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### 1.11 Impairment of cash-generating assets (continued)

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Metsimaholo Local Municipality

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### 1.11 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

The recoverable amount of a cash-generating asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Employee benefits (continued)

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Employee benefits (continued)

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Long-term service awards

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

### Decommissioning, restoration and similar liability

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the municipality.

#### Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Services in-kind

Services in-kind are not recognised.

### 1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.17 Borrowing costs (continued)

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 45 for detail.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.23 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.23 Grants in aid (continued)

- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.24 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

### 1.27 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### **GRAP 23: Revenue from Non-exchange Transactions**

Revenue from non-exchange transactions arises when the municipality receives value from another party without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

##### **GRAP 24: Presentation of Budget Information in the Financial Statements**

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

##### **GRAP 103: Heritage Assets**

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard requires judgement in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated, but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 44 - Changes in accounting policy.

### GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach;
- Restoration cost approach; or
- Service units approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 44 - Changes in accounting policy.

### GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 44 - Changes in Accounting Policy.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another entity on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another entity.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is set out in note 44 - Changes in accounting policy.

### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

#### **GRAP 1 (as revised 2012): Presentation of Financial Statements**

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

# **Metsimaholo Local Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Notes to the Annual Financial Statements**

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### **2. New standards and interpretations (continued)**

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 7 (as revised 2012): Investments in Associates**

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 12 (as revised 2012): Inventories**

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 13 (as revised 2012): Leases**

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 16 (as revised 2012): Investment Property**

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 17 (as revised 2012): Property, Plant and Equipment**

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

#### **GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)**

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

#### **GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)**

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:

- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.



## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph 54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 annual financial statements.

The impact of the interpretation is not material.

### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

#### GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this this standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

#### **GRAP 105: Transfers of Functions Between Entities Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

#### **GRAP 106: Transfers of Functions Between Entities not Under Common Control**

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

#### **GRAP 107: Mergers**

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

### GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

### IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation of the Standards of GRAP now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions; and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 annual financial statements.

The impact of this interpretation is currently being assessed.

### 2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

#### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand

2013

2012

### 3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	78 316 762	(436 053)	77 880 709	79 669 762	(410 262)	79 259 500

#### Reconciliation of investment property - 2013

	Opening balance	Disposals	Depreciation	Total
Land and buildings	79 259 500	(1 353 000)	(25 791)	77 880 709

#### Reconciliation of investment property - 2012

	Opening balance	Additions	Depreciation	Total
Land and buildings	43 984 887	35 300 282	(25 669)	79 259 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	195 280 137	(47 022 751)	148 257 386	196 509 865	(44 542 052)	151 967 813
Leasehold property	51 616 608	(43 343 904)	8 272 704	51 616 608	(38 669 509)	12 947 099
Plant and machinery	15 934 812	(9 343 797)	6 591 015	15 478 053	(9 066 138)	6 411 915
Furniture and fixtures	7 066 662	(4 068 598)	2 998 064	5 954 053	(4 548 598)	1 405 455
Motor vehicles	32 225 791	(16 180 711)	16 045 080	22 521 601	(17 017 985)	5 503 616
Office equipment	8 018 213	(5 070 978)	2 947 235	7 821 262	(5 143 367)	2 677 895
Infrastructure	1 583 802 696	(905 232 997)	678 569 699	1 517 247 540	(868 086 806)	649 160 734
Other property, plant and equipment	-	-	-	297 450	(297 450)	-
<b>Total</b>	<b>1 893 944 919</b>	<b>(1 030 263 736)</b>	<b>863 681 183</b>	<b>1 817 446 432</b>	<b>(987 371 905)</b>	<b>830 074 527</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	151 967 813	-	(1 122 900)	-	(2 587 527)	148 257 386
Leasehold property	12 947 099	-	-	-	(4 674 395)	8 272 704
Plant and machinery	6 411 915	464 486	-	(7 726)	(277 660)	6 591 015
Furniture and fixtures	1 405 455	1 101 255	-	11 354	480 000	2 998 064
Motor vehicles	5 503 616	9 704 192	-	(2)	837 274	16 045 080
Office equipment	2 677 895	196 951	-	-	72 389	2 947 235
Infrastructure	649 160 734	66 558 780	-	(3 626)	(37 146 189)	678 569 699
<b>Total</b>	<b>830 074 527</b>	<b>78 025 664</b>	<b>(1 122 900)</b>	<b>-</b>	<b>(43 296 108)</b>	<b>863 681 183</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	154 026 529	574 018	-	(2 632 734)	151 967 813
Leasehold property	25 674 945	-	-	(12 727 846)	12 947 099
Plant and machinery	4 956 396	2 854 816	-	(1 399 297)	6 411 915
Furniture and fixtures	1 855 400	249 372	-	(699 317)	1 405 455
Motor vehicles	8 368 420	-	-	(2 864 804)	5 503 616
Office equipment	3 848 998	11 499	-	(1 182 602)	2 677 895
Infrastructure	639 436 257	47 346 414	-	(37 621 937)	649 160 734
Other property, plant and equipment	812 845	-	(812 845)	-	-
	<b>838 979 790</b>	<b>51 036 119</b>	<b>(812 845)</b>	<b>(59 128 537)</b>	<b>830 074 527</b>

#### Pledged as security

Carrying value of assets pledged as security:

Computer equipment (included in Leasehold property) 8 272 705 12 947 099

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 16.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	575 913	(309 067)	266 846	488 121	(353 914)	134 207

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	134 207	87 791	44 848	266 846

#### Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	158 750	(24 543)	134 207

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 6. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561 000	-	561 000	561 000	-	561 000

#### Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	561 000	561 000

#### Reconciliation of heritage assets 2012

	Opening balance	Total
Historical buildings	561 000	561 000

This is land used to build Union Buildings in Pretoria.

### 7. Other financial assets

#### At fair value

Listed shares	2 162 973	1 649 245
Sanlam shares		
2013: 46,106 shares @ 4691cents		
2012: 46,106 shares @ 3575cents		
Unit trusts	1 035 675	909 795
Sanlam - SIM Money market fund		
1,035,675.35 shares @ 100cents		
	<b>3 198 648</b>	<b>2 559 040</b>

#### At amortised cost

Investment - unspent grants	-	5 749 705
2012:		
Unspent grants		
- MIG R317,857		
- DPLG R5,431,000		
Investments	6 921 046	6 515 133
Sanlam investment policies - R6,659,272 (2012: R5,966,898)		
Term annuity - R231,613 (2012: R519,979)		
Ceded - R30,161 (2012: R29,951)		
The shares will mature on January 2014.		
Long term receivable - long term portion	2 496 149	1 476 653
Arrangements with each receivable on specific repayment terms. Fixed instalment payable on monthly basis.		
Long term receivable - short term portion	119 012	100 608
Arrangements with each receivable on specific repayment terms. Fixed instalment payable on monthly basis.		
Impairments	(3 448)	(3 448)
	<b>9 532 759</b>	<b>13 838 651</b>
<b>Total other financial assets</b>	<b>12 731 407</b>	<b>16 397 691</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>Non-current assets</b>		
At amortised cost	145 725	127 111
<b>Current assets</b>		
At fair value	3 198 648	2 559 040
At amortised cost	9 387 034	13 711 540
	<b>12 585 682</b>	<b>16 270 580</b>

### Financial assets at fair value

#### Fair value hierarchy of financial assets at fair value

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

#### Level 1

Sanlam shares	2 162 973	1 648 396
Unit trusts	1 035 675	909 795
	<b>3 198 648</b>	<b>2 558 191</b>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 315	5 315
Bank balances	8 745 593	5 486 059
Short-term deposits	433 373	2 184 514
	<b>9 184 281</b>	<b>7 675 888</b>

#### Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990 000	990 000
Guarantee: Post Office as post deposit	80 000	80 000

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
ABSA BANK - Current Bank Account (primary bank account) - 520 000 038	7 485 200	4 035 798	5 629 482	8 745 593	5 486 059	8 127 145
ABSA BANK - Call Account - 907-840-0708	133 177	333 177	333 177	-	-	-
Rand Merchant BANK - Call Deposit Account - X02-190-1012	77 726	1 077 726	4 559 808	-	-	-
Standard BANK - Call Deposit Account - 343-846	173 806	3 373 806	10 473 806	-	-	-
Standard BANK - Call Deposit Account - 228-505-348	394	-	-	-	-	-
Nedbank BANK - Call Deposit - 788-103-3088	-	3 148 271	10 648 271	-	-	-
Nedbank BANK - Fixed deposit Account - 03 788-1033-088	-	-	4 000 000	-	-	-
Standard BANK - Notice Deposit Account - 434-498	-	-	4 000 000	-	-	-
Standard BANK - Notice Deposit Account - 434-559	-	-	4 000 000	-	-	-



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand					2013	2012
<b>8. Cash and cash equivalents (continued)</b>						
Short term deposits	-	-	-	433 373	2 184 514	27 062 213
Investments - (Other financial assets - note 6)	-	-	-	-	5 749 705	10 953 241
<b>Total</b>	<b>7 870 303</b>	<b>11 968 778</b>	<b>43 644 544</b>	<b>9 178 966</b>	<b>13 420 278</b>	<b>46 142 599</b>
<b>9. Inventories</b>						
Water					309 045	266 867
Unsold properties held for resale					18 983 471	16 507 569
Fuel (diesel, petrol)					220 340	281 180
Stores, materials and oils					1 450 698	1 043 241
					<b>20 963 554</b>	<b>18 098 857</b>
<b>10. Receivables from exchange transactions</b>						
<b>Gross balances</b>						
Electricity					52 231 365	49 663 380
Water					297 117 298	226 063 098
Sewerage					22 779 922	26 331 279
Refuse					28 315 230	30 818 655
					<b>400 443 815</b>	<b>332 876 412</b>
<b>Less: Allowance for impairment</b>						
Electricity					(41 766 272)	(38 540 088)
Water					(237 638 886)	(175 380 694)
Sewerage					(18 215 730)	(20 433 764)
Refuse					(22 641 982)	(23 916 086)
					<b>(320 262 870)</b>	<b>(258 270 632)</b>
<b>Net balance</b>						
Electricity					10 465 093	11 123 292
Water					59 478 412	50 682 404
Sewerage					4 564 192	5 897 515
Refuse					5 673 248	6 902 569
					<b>80 180 945</b>	<b>74 605 780</b>
<b>Electricity</b>						
Current (0 - 30 days)					9 092 385	11 895 488
31 - 60 days					4 056 709	3 099 864
61 - 90 days					1 710 245	2 207 096
91 - 120 days					37 372 026	32 460 932
Allowance for impairment					(41 766 272)	(38 540 088)
					<b>10 465 093</b>	<b>11 123 292</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>10. Receivables from exchange transactions (continued)</b>		
<b>Water</b>		
Current (0 - 30 days)	20 858 355	19 684 411
31 - 60 days	9 399 210	9 796 500
61 - 90 days	10 036 801	7 305 271
91 - 120 days	256 822 932	189 276 916
Allowance for impairment	(237 638 886)	(175 380 694)
	<b>59 478 412</b>	<b>50 682 404</b>
<b>Sewerage</b>		
Current (0 - 30 days)	1 350 823	1 383 469
31 - 60 days	1 120 821	870 341
61 - 90 days	425 469	538 146
91 - 120 days	19 882 809	23 539 323
Allowance for impairment	(18 215 730)	(20 433 764)
	<b>4 564 192</b>	<b>5 897 515</b>
<b>Refuse</b>		
Current (0 - 30 days)	1 452 808	1 667 334
31 - 60 days	826 323	1 124 071
61 - 90 days	494 763	803 816
91 - 120 days	25 541 336	27 223 434
Allowance for impairment	(22 641 982)	(23 916 086)
	<b>5 673 248</b>	<b>6 902 569</b>
<b>Summary of receivables by customer classification</b>		
<b>Consumers/households</b>		
Current (0 - 30 days)	19 395 256	18 295 626
31 - 60 days	11 406 079	9 599 102
61 - 90 days	10 085 235	7 613 138
91 - 120 days	304 610 589	246 481 877
	<b>345 497 159</b>	<b>281 989 743</b>
<b>Industrial/ commercial</b>		
Current (0 - 30 days)	11 540 097	14 125 505
31 - 60 days	3 572 426	4 968 222
61 - 90 days	2 615 886	2 516 523
91 - 120 days	27 924 496	23 056 692
	<b>45 652 905</b>	<b>44 666 942</b>
<b>National and provincial government</b>		
Current (0 - 30 days)	2 211 728	849 299
31 - 60 days	738 259	347 019
61 - 90 days	230 187	286 066
91 - 120 days	6 113 551	4 737 342
	<b>9 293 725</b>	<b>6 219 726</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>10. Receivables from exchange transactions (continued)</b>		
<b>Total</b>		
Current (0 - 30 days)	33 147 081	32 983 555
31 - 60 days	15 716 764	14 826 180
61 - 90 days	12 931 308	10 385 145
91 - 120 days	338 648 662	274 681 532
	<u>400 443 815</u>	<u>332 876 412</u>
Less: Allowance for impairment	(320 262 870)	(258 270 632)
	<b>80 180 945</b>	<b>74 605 780</b>
<b>Less: Allowance for impairment</b>		
31 - 60 days	(10 820 359)	(8 994 071)
61 - 90 days	(7 222 463)	(6 071 083)
91 - 120 days	(7 392 242)	(6 072 210)
121 - 365 days	(294 827 806)	(237 133 268)
	<u>(320 262 870)</u>	<u>(258 270 632)</u>
<b>Total receivable past due but not impaired</b>		
Current (0 - 30 days)	22 326 722	23 989 484
31 - 60 days	8 494 301	8 755 097
61 - 90 days	5 539 066	4 312 935
91 - 120 days	43 820 856	37 548 264
	<u>80 180 945</u>	<u>74 605 780</u>
<b>Reconciliation of allowance for impairment of receivables from exchange transactions</b>		
Balance at beginning of the year	(258 270 632)	(217 190 026)
Allowance for impairment	(61 992 238)	(67 180 319)
Amounts written off as uncollectible	-	26 099 713
	<u>(320 262 870)</u>	<u>(258 270 632)</u>
<b>Credit quality of receivables from exchange transactions</b>		
The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.		
None of the financial assets that are fully performing have been re-negotiated in the last year.		
<b>Receivables from exchange transactions past due but not impaired</b>		
Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 36 360 089 (2012: R 37 057 516) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	22 326 604	23 987 009
2 months past due	8 494 346	8 755 666
3 months past due	5 539 139	4 314 841
<b>Receivables from exchange transactions impaired</b>		
As of 30 June 2013, receivables from exchange transactions of R 320 262 870 (2012: R 258 270 632) were impaired and provided for.		
The amount of the allowance was R 61 992 238 as of 30 June 2013 (2012: R 67 180 319).		

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 10. Receivables from exchange transactions (continued)

The ageing of these receivables is as follows:

3 to 6 months	25 435 064	21 137 364
Over 6 months	294 827 806	237 133 268

### 11. Receivables from non-exchange transactions

Trade receivables	18 145 054	16 220 082
Deposits	1 464 436	1 393 261
Operating lease receivables	4	5
Rates	61 261 051	73 819 418
MIG retention	3 749 863	-
Conlog prepaid electricity payments	3 634 772	3 192 393
Allowance for debt impairment	(59 085 147)	(65 627 638)
	<b>29 170 033</b>	<b>28 997 521</b>

#### Trade and other receivables pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

#### Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.

None of the financial assets that are fully performing have been renegotiated in the last year.

#### Receivables from non-exchange transactions impaired

As of 30 June 2013, receivables from non-exchange transactions of R 59 085 147 (2012: R 65 627 638) were impaired and provided for.

The amount of the allowance was R (6 542 491) as of 30 June 2013 (2012: R 12 695 162).

The ageing of these receivables is as follows:

3 to 6 months	1 188 218	1 458 766
Over 6 months	57 896 929	64 168 872

#### Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	(65 627 638)	(52 932 476)
Allowance for impairment	(1 578 823)	706 639
Allowance for impairment on rates	8 121 314	(13 401 801)
	<b>(59 085 147)</b>	<b>(65 627 638)</b>

### 12. VAT receivable

VAT	3 563 897	5 384 647
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VAT is payable on the payment basis. VAT is only paid to SARS on receipt of payment from consumers.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 13. Landfill closure provision

#### Reconciliation of landfill closure provision - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	29 811 501	1 788 690	31 600 191

#### Reconciliation of landfill closure provision - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation	28 124 057	1 687 444	29 811 501

#### Provision for landfill closure:

The municipality engages in waste disposal operations from residential and business areas within the following areas:

- Deneyville
- Oranjeville
- Sasolburg

The 2011 and 2012 costs were calculated based on the present year rehabilitation costs and a discount rate of 6%.

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the site at the end of its useful life. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

### 14. Employee benefits obligation

#### Reconciliation of employee benefits obligation - 2013

	Opening Balance	Additions	Total
Employee benefit cost medical	28 488 169	1 925 846	30 414 015
Employee benefits long service awards	12 446 589	2 508 969	14 955 558
	<b>40 934 758</b>	<b>4 434 815</b>	<b>45 369 573</b>

#### Reconciliation of employee benefits obligation - 2012

	Opening Balance	Additions	Total
Employee benefit cost medical	22 999 423	5 488 746	28 488 169
Employee benefits long service awards	11 776 539	670 050	12 446 589
	<b>34 775 962</b>	<b>6 158 796</b>	<b>40 934 758</b>

#### Employee benefit cost obligation

##### Post Employment Health Care Benefits

Balance at beginning of year	28 488 169	22 999 423
Current-service cost	736 193	581 061
Interest cost	2 060 243	1 892 225
Actuarial (gain) / loss	489 562	4 149 616
Employer benefit payments	(1 360 152)	(1 134 156)
<b>Balance at end</b>	<b>30 414 015</b>	<b>28 488 169</b>

#### Continue Medical aid membership

Metsimaholo Municipality employees contribute to accredited medical schemes.

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 14. Employee benefits obligation (continued)

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

#### Accrued Liability

<b>Category of member</b>		
In-service members	12 697 000	11 712 000
Continuation members	17 717 000	16 776 000
<b>All members</b>		
Total liability	30 414 000	28 488 000
Value of asset	-	-
<b>Unfunded liability</b>	<b>30 414 000</b>	<b>28 488 000</b>

Liabilities and experience adjustment made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

#### History of liabilities and assets

Present value of accrued liability	30 414 000	28 488 000
Fair value of plan asset	-	-
<b>Surplus / (deficit)</b>	<b>(30 414 000)</b>	<b>(28 488 000)</b>

Table summarises the experience adjustments for the current period. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and losses

Experience adjustment	
Liabilities: (gain) / loss	844 000
Assets: gain / (loss)	-

<b>Best estimate of benefits payments expected in next annual period</b>	<b>2013/2014</b>
<b>Opening accrued liability</b>	<b>30 414 015</b>
Current service cost	738 272
Interest cost	2 441 059
Benefit vestings	(1 512 420)
Total annual expense	-
<b>Closing accrued liability</b>	<b>32 080 926</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 14. Employee benefits obligation (continued)

#### Key financial assumptions

The table summarised the financial assumption used.

Assumption	Value p.a
Discount rate	8.23%
Health care cost inflation rate	7.62%
Non effective discount rate	0.56%

The next contribution rate increase is assumed to occur at 1 January 2014.

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Number of in service members	76
Number of pensioners	54

#### Summarises the results of the sensitivity analysis.

#### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		12.697	17.717	30.414	
Health care inflation	1%	15.435	19.356	34.791	14
	-1%	10.530	16.280	26.810	(12)
Post-retirement mortality	-1 yr	13.172	18.544	31.716	4
Average retirement age	-1 yr	13.468	17.717	31.186	3
Withdrawal Rate	-50%	13.473	17.717	31.191	3

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 14% higher than that shown.

#### Long term service awards

Balance at beginning of year	12 446 589	11 776 539
Current-service cost	1 582 568	1 491 731
Interest cost	641 119	677 601
Actuarial (Gain)/Loss	2 120 614	322 230
Employer Benefit Payments	(1 835 332)	(1 821 512)
<b>Balance at end of year</b>	<b>14 955 558</b>	<b>12 446 589</b>

#### Accrued liability (30/06/2013)

Value of long-service awards	14 633 747
Retirement gifts	321 811
<b>Accrued liability</b>	<b>14 955 558</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 14. Employee benefits obligation (continued)

<b>Best estimate of benefits payments expected in next annual period</b>	<b>2013/2014</b>
<b>Opening accrued liability</b>	<b>14 955 558</b>
Current service cost	1 403 317
Interest cost	794 790
Benefit vestings	(2 130 182)
Total annual expense	-
<b>Closing accrued Liability</b>	<b>15 023 483</b>

#### Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	206	491	697
Average annual salary	134 813	130 175	131 546
Salary-weighted average age	43.3	45.5	44.8
Salary-weighted average past service	11.9	13.7	13.2

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There is two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	(5/250 + 2%) x annual salary
10	7.0%	(10/250 + 3%) x annual salary
15	10.0%	(15/250 + 4%) x annual salary
20	11.0%	(15/250 + 5%) x annual salary
25,30,35,40,45	12.0%	(15/250 + 6%) x annual salary

697 Employees benefit from this policy

#### Special leave pay

75 of the employees receive an additional six days of annual leave once they reach their five years of service.

#### Retirement gifts

267 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

#### Key Financial Assumptions

The table summarised the financial assumptions used.

Assumptions	Value p.a
Discount Rate	5.85%
General salary inflation rate (long term)	5.58%
Non effective discount rate	0.26%

The salaries used in the valuation include an assumed increase on 1 July 2013 of 6.84%.  
The next salary increase was assumed to take place in July 2014.

Average retirement age	65
Mortality during employment	SA 85-90



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 14. Employee benefits obligation (continued)

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

### Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Liability	% change
Central assumptions		14.956	
General salary inflation	+1%	15.975	7%
	-1%	14.038	-6%
Average retirement age	-2 yrs	13.964	-7%
	+2 yrs	16.042	7%
Withdrawal rates	-50%	16.894	13%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

### 15. Long term loan

Development Bank of Southern Africa Limited - Non-current portion	8 522 039	-
Development Bank of Southern Africa Limited - Current portion	477 961	-

#### Terms and conditions

The original loan amount consist of R19,000,000 but only R9,000,000 was disbursed as at 30 June 2013.

The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts.

The interest and capital repayment every 6 months in equal instalments of R871,356 over 7 years, in total 14 instalments.

The loan is unsecured but the application of the loan is conditional to specific projects.

### 16. Finance lease obligation

#### Minimum lease payments due

- within one year	13 200 680	9 759 669
	13 200 680	9 759 669
less: future finance charges	(684 104)	(550 327)
<b>Present value of minimum lease payments</b>	<b>12 516 576</b>	<b>9 209 342</b>

#### Present value of minimum lease payments due

- within one year	12 516 576	9 209 342
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It is Metsimaholo local municipality's policy to lease certain equipment under finance leases.

The average lease term is 2-5 years and the average effective borrowing rate is 9.94% (2012: 11.91%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The original contract would have ended on 30 January 2013 but because of payments in arrear the contract's repayments terms were changed and extended. The debt repayment will be repaid in 16 monthly instalments of R1,254,065 that commenced in March 2013 and the last payment will be made in June 2014.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Operating lease</b>		
<b>Government Garage</b>		
Opening balance	389 364	-
Movement for the year	94 262	389 364
	<b>483 626</b>	<b>389 364</b>
<b>Minimum lease payments due</b>		
- within one year	3 491 346	2 002 800
- in second to fifth year inclusive	1 764 245	2 411 011
	<b>5 255 591</b>	<b>4 413 811</b>
<b>Operating Lease Government Garage</b>		
Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.		
<b>Operating leases - lessee (Abrahamsrust)</b>		
Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.		
The municipality has a 50 year lease option that expires on 31 March 2017.		
<b>18. Payables from exchange transactions</b>		
Trade payables	24 008 459	20 635 762
Payments received in advanced - contract in process	5 960 941	5 762 712
Retentions	10 335 255	5 415 918
Accrued leave pay	10 908 702	9 756 376
Accrued bonus	3 689 150	3 202 059
Accrued expense	33 159 123	48 438 735
Other payables	42 102 735	27 018 673
	<b>130 164 365</b>	<b>120 230 235</b>
<b>19. Consumer deposits</b>		
Water and electricity	12 170 254	10 647 537
<b>20. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprise of:</b>		
<b>Unspent conditional grants and receipts</b>		
Unspent grant Minicipal Infrastructure Grant	-	317 857
Unspent grant Department of Energy Grant	-	636 591
Unspent grant Department of Co operative Governance Grant	3 077 129	5 431 000
Unspent grant Fezile Dabi District Municipality Grant	-	66 695
Unspent grant Sector Education Training Authority Grant	1 269 896	826 693
Unspent grant Provincial Government Grant	694 895	694 895
Unspent public contributions and donations	66 672	66 672
	<b>5 108 592</b>	<b>8 040 403</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	8 040 403	11 759 861
Additions during the year	164 512 581	128 635 534
Income recognition during the year	(167 444 392)	(132 354 992)
	<b>5 108 592</b>	<b>8 040 403</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 20. Unspent conditional grants and receipts (continued)

See note 26 - Government grants and subsidies for reconciliation of grants from National / Provincial Government.

### 21. Short term loan

Infrastructure Finance Corporation Limited	6 436 878	-
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#### Terms and conditions

The debt of R10,375,661 will be payable in 17 equal instalments of R610,333 on the 7th of each month with the last instalment payable on 7 May 2014 in full and final settlement of the capital amount and interest of INCA's claim against Metsimaholo Local Municipality. In the current year 6 instalments have already been made and the balance will be settled in the next financial year. Interest were charged at prime rate of 8.5%.

Instalment not paid on due date shall attract penalty interest at the rate equals to the higher of 15% or prime plus 3% per annum.

The loan resulted from rental agreements with Konica Minolta that were financed by Infrastructure Finance Corporation Limited on behalf of the Metsimaholo Local Municipality when instalments on the rental agreements went into arrears.

### 22. Financial instruments disclosure

#### Categories of financial instruments

#### 2013

##### Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	29 170 033	29 170 033
Receivables from exchange transactions	80 180 945	80 180 945
Cash and cash equivalents	9 184 281	9 184 281
Other financial assets	12 585 682	12 585 682
	<b>131 120 941</b>	<b>131 120 941</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	130 164 365	130 164 365
Finance lease obligation	13 200 680	13 200 680
	<b>143 365 045</b>	<b>143 365 045</b>

#### 2012

##### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	74 605 780	74 605 780
Receivables from non-exchange transactions	28 997 521	28 997 521
Cash and cash equivalents	7 675 888	7 675 888
Other financial assets	16 270 580	16 270 580
	<b>127 549 769</b>	<b>127 549 769</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	120 230 235	120 230 235
Finance lease obligation	9 759 669	9 759 669
	<b>129 989 904</b>	<b>129 989 904</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>23. Revenue</b>		
Dividends received	-	59 064
Fines	4 194 174	6 307 852
Government grants & subsidies	167 444 392	132 354 992
Interest received - consumers	13 747 339	17 799 107
Interest received - investment	1 542 782	2 357 394
Licences and permits	119 927	66 438
Other income	2 568 802	2 454 749
Levies - refuse dumpyard	2 856 646	464 125
Connection fees	1 436 761	1 583 422
Income legal cost	2 209 750	1 923 880
Non-payment fees	2 449 096	3 068 259
Property rates	92 484 526	86 651 759
Public contributions and donations	500 000	-
Rental of facilities and equipment	4 144 191	4 256 346
Service charges	371 290 821	323 360 171
	<b>666 989 207</b>	<b>582 707 558</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Dividends received	-	59 064
Interest received (trading)	13 747 339	17 799 107
Interest received - investment	1 542 782	2 357 394
Licences and permits	119 927	66 438
Other income	2 568 802	2 454 749
Levies - refuse dumpyard	2 856 646	464 125
Connection fees	1 436 761	1 583 422
Income legal cost	2 209 750	1 923 880
Non-payment fees	2 449 096	3 068 259
Rental of facilities and equipment	4 144 191	4 256 346
Service charges	371 290 821	323 360 171
	<b>402 366 115</b>	<b>357 392 955</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	92 484 526	86 651 759
Fines	4 194 174	6 307 852
<b>Transfer revenue</b>		
Government grants & subsidies	167 444 392	132 354 992
Public contributions and donations	500 000	-
	<b>264 623 092</b>	<b>225 314 603</b>
<b>24. Service charges</b>		
Sale of electricity	164 079 433	137 388 414
Sale of water	159 700 573	141 716 609
Sewerage and sanitation charges	19 988 900	18 995 886
Refuse removal	27 521 915	25 259 262
	<b>371 290 821</b>	<b>323 360 171</b>
Water	(22 553 218)	(20 106 615)
Electricity	(13 114 218)	(13 428 599)
Sewerage and sanitation	(2 004 815)	(1 424 891)
<b>Forgone income (free portion)</b>	<b>(37 672 251)</b>	<b>(34 960 105)</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	60 366 399	56 659 955
Commercial	7 703 660	7 387 775
State	6 338 698	5 759 207
Small holdings and farms	7 295 105	7 489 350
Heavy industries	19 228 463	18 021 699
Less: Income forgone	(8 447 799)	(8 666 227)
	<b>92 484 526</b>	<b>86 651 759</b>
<b>Sasolburg / Zamdela</b>		
Residential:		
- Sasolburg	0.00649	cents per Rand
- Zamdela	0.00649	cents per Rand
Businesses	0.01297	cents per Rand
Light Industries	0.03246	cents per Rand
Heavy Industries	0.03246	cents per Rand
State Property	0.01297	cents per Rand
<b>Deneysville/Refengkgotso/Phomolong</b>		
Residential:		
Deneysville	0.00649	cents per Rand
Businesses	0.01297	cents per Rand
State Property	0.01297	cents per Rand
Refengkgotso	0.00649	cents per Rand
<b>Oranjeville / Metsimaholo</b>		
Residential:		
- Oranjeville	0.00649	cents per Rand
Businesses	0.01297	cents per Rand
Metsimaholo:		
Residential	0.00649	cents per Rand
Businesses	0.01297	cents per Rand
State Property	0.01297	cents per Rand
<b>Farmland</b>		
Residential	0.00324	cents per Rand
Businesses	0.00649	cents per Rand
Industries	0.01622	cents per Rand
Private owned towns, Body Corporate, Sectional Titles	0.00324	cents per Rand
Mining	0.01622	cents per Rand
Agricultural	0.00162	cents per Rand
Unregistered Erven, Municipal services charges equal to category of property.		
<b>Valuations (R'000)</b>		
Residential	8 967 326	8 937 025
Commercial	599 277	604 772
State	488 720	472 985
Municipal	388 034	385 673
Small holdings and farms	867 113	863 183
Heavy/Light industries	804 759	842 660
Churches	95 310	94 805
Public Benefit Organisation/Service Infrastructure	59 253	59 253
Allocated, unregistered stands	1 763 245	1 529 687
5 year: Tax Holiday	37 556	65 206
	<b>14 070 593</b>	<b>13 855 249</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 25. Property rates (continued)

Valuations on which property rates are based are performed every four years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates for 2012/13 was up to R85 000 on value of property are granted to residential and state property owners. Rates are levied on a monthly basis, except farmland that is levied on an annual basis.

Interest at prime plus 1% is levied on rates outstanding after due date for payment.

The phase in approach to tax private development and agricultural land was approved for 3 years ending June 2011, in line with the COGTA regulations issued in December 2007.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time of service of such a church.
- Road reserves
- Railway reserves

The new general valuation will be implemented on 1 July 2013.

### 26. Government grants and subsidies

#### Operating grants

Equitable share	97 653 001	88 125 000
Municipal Systems Improvement Grant	800 000	790 000
Financial Management Grant	1 500 000	1 450 783
Expanded Public Works Programme Integrated Grant	1 395 000	1 116 000
	<b>101 348 001</b>	<b>91 481 783</b>

#### Capital grants

Municipal Infrastructure Grant	49 670 204	34 914 421
Department of Water Affairs Grant	3 497 000	784 000
Department of Energy Grant	10 575 316	5 174 788
Department of Co operative Governance Grant	2 353 871	-
	<b>66 096 391</b>	<b>40 873 209</b>
	<b>167 444 392</b>	<b>132 354 992</b>

#### Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	66 096 391	40 873 209
Unconditional grants received	101 348 001	91 481 783
	<b>167 444 392</b>	<b>132 354 992</b>

#### Equitable share

Equitable share was received in terms of section 214(1) of the Constitution (Act No. 108 of 1996).

A Council Resolution was taken to use some of the grant for free basic services to residents.

Households receive 6kl water, 50 kWh electricity and basic sewer per month plus 4kl water, additional sewer, refuse and R60 per month on Rates to approved indigents.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 26. Government grants and subsidies (continued)

#### Municipal System Improvement Grant

Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(800 000)	(790 000)
	-	-

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

#### Financial Management Grant

Balance unspent at beginning of year	-	783
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 450 783)
	-	-

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

#### Expanded Public Works Programme Integrated Grant

Current-year receipts	1 395 000	1 116 000
Conditions met - transferred to revenue	(1 395 000)	(1 116 000)
	-	-

Appointment of workers on the Extended Public Works Program.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	317 857	19 862
Current-year receipts	47 118 000	38 843 000
Conditions met - transferred to revenue	(49 670 204)	(34 914 412)
Other	2 234 347	(3 630 593)
	-	317 857

Conditions still to be met - remain liabilities (see note 20).

Funds received for installation of infrastructure.

#### Department of Water Affairs Grant

Current-year receipts	3 497 000	784 000
Conditions met - transferred to revenue	(3 497 000)	(784 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 26. Government grants and subsidies (continued)

#### Department of Energy Grant

Balance unspent at beginning of year	636 591	10 933 379
Current-year receipts	10 000 000	2 000 000
Conditions met - transferred to revenue	(10 575 316)	(5 174 788)
Transferred to equitable share revenue	-	(7 122 000)
Other	(61 275)	-
	<b>-</b>	<b>636 591</b>

Installation of electricity in the Municipality's area, financed by the Department of Energy. Funds of R3 811 000 was withheld from Equitable Share allocation due to slow spending on projects financed from Department of Energy.

#### Department of Co oprative Governance Grant

Balance unspent at beginning of year	5 431 000	-
Current-year receipts	-	5 431 000
Conditions met - transferred to revenue	(2 353 871)	-
	<b>3 077 129</b>	<b>5 431 000</b>

Conditions still to be met - remain liabilities (see note 20).

Funds received for intallation of infrastructure.

#### Fezile Dabi District Municipality Grant

Balance unspent at beginning of year	66 695	66 695
Other	(66 695)	-
	<b>-</b>	<b>66 695</b>

Conditions still to be met - remain liabilities (see note 20).

Contribution received from Fezile Dabi Districts Municipality on the Integrated Development Plant.

#### Sector Education Training Authority Grant

Balance unspent at beginning of year	826 693	1 186
Current-year receipts	443 203	825 507
	<b>1 269 896</b>	<b>826 693</b>

Conditions still to be met - remain liabilities (see note 20).

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division.

#### Provincial Government

Balance unspent at beginning of year	694 895	694 895
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Conditions still to be met - remain liabilities (see note 20).

Funds for waterworks at laboratory. Funds for development programs. Funds received from Housing award to purchase computers.



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 26. Government grants and subsidies (continued)

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 27. Other income

Billboards	251 729	196 543
Building plan fees	29 795	154 760
Cemetery fees	164 395	175 832
Clearance certificates	223 240	229 259
Entrance fees	810 366	761 006
Fire services rendered	146 412	104 423
Lost library books	4 133	4 280
Other revenue	225 602	127 427
Photo copies	134 556	135 920
Private telephone calls	281 977	447 525
Tender deposits	73 018	19 661
Training income	223 579	98 113
	<b>2 568 802</b>	<b>2 454 749</b>

### 28. Public contributions and donations

Public contributions and donations - Library	500 000	-
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#### Reconciliation of conditional contributions

Balance unspent at beginning of year	66 672	43 061
Current-year receipts	500 000	23 611
Conditions met - transferred to revenue	(500 000)	-
	<b>66 672</b>	<b>66 672</b>

Conditions still to be met - remain liabilities (see note 20).

The funds transferred to current year were recieved from Sasol for the installation of traffic lights and the current years receipt to maintain the Library.

### 29. General expenses

Advertising	1 177 230	1 086 672
Auditors remuneration	3 723 877	2 976 678
Bank charges	1 378 426	1 555 425
Computer expenses	280 924	1 128 014
Consulting and professional fees	7 466 050	10 780 915
Consumables	413 601	365 956
Entertainment	404 696	353 092
Insurance	1 707 636	1 811 330
Conferences and seminars	1 027 055	979 668
Lease rentals on operating lease	5 658 795	7 753 999
Marketing	57 861	45 545
Magazines, books and periodicals	318 133	25 666
Medical expenses	218 325	328 748
Fuel and oil	6 862 232	5 313 961
Postage and courier	1 432 517	1 215 904
Printing and stationery	1 536 806	1 085 345
Promotions	7 248	28 749
Research and development costs	-	1 200
Royalties and license fees	191 008	261 471

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>29. General expenses (continued)</b>		
Subscriptions and membership fees	1 588 779	1 487 148
Telephone	2 243 416	2 797 802
Training	210 610	87 607
Travel - local	678 327	671 470
Title deed search fees	2 276 694	2 001 928
Stock and materials	1 005 606	1 082 368
Electricity	5 451	7 846
Uniforms	978 050	1 355 982
Public Programme	2 043 863	3 572 827
Skills Development Levy	1 371 717	1 373 794
Sewer Treatment	12 560 059	11 394 661
Bursaries	1 676 119	867 851
Landfill closure costs	1 788 690	1 687 443
Other expenses	702 606	664 396
	<b>62 992 407</b>	<b>66 151 461</b>

### 30. Employee related costs

Basic	100 794 582	95 556 190
Medical aid - company contributions	8 862 265	8 844 167
UIF contributions	942 053	942 456
Leave pay accrual charge	798 644	897 443
Group insurance	225 442	233 735
Post-employment benefits - Pension - Defined contribution plan	15 967 045	16 474 202
Overtime payments	17 371 307	12 535 451
Long-service awards (note 13)	2 027 773	1 437 737
13th Cheques and other bonuses	7 479 614	7 202 607
Transport allowance	5 946 528	5 933 485
Housing benefits and allowances	738 900	843 605
Standby allowances	1 871 955	1 891 980
Contribution post retirement	1 436 284	1 339 130
	<b>164 462 392</b>	<b>154 132 188</b>

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

#### Remuneration of S.M. Molala - Municipal Manager (01/11/2012-30/06/2013)

Annual remuneration	852 329	-
Car allowance	160 000	-
Travel, motor car, accommodation, subsistence and other allowances	1 598	-
Other (leave sold)	15 000	-

#### Remuneration of X.S. Msweli - Municipal Manager (01/10/2009-05/03/2012)

Annual remuneration	-	538 551
Car allowance	-	151 738
Travel, motor car, accommodation, subsistence and other allowances	-	78 092
Other (leave sold)	-	190 572

#### Remuneration of R. Thekiso - Acting Municipal Manager (28/05/2012-28/08/2012)

Acting allowance	232 515	437 803
Telephone allowance	8 664	-
	<b>1 270 106</b>	<b>1 396 756</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>30. Employee related costs (continued)</b>		
<b>Remuneration of M.E. Mokoena - Chief Finance Officer (01/06/2008-31/01/2013)</b>		
Annual remuneration	402 641	648 114
Car allowance	141 401	228 954
Housing subsidy	6 067	-
Transport claims	3 090	-
Other	-	34 528
Redemption of leave	124 628	-
Telephone allowance	30 964	-
<b>Remuneration of A. Vorster - Acting Chief Finance Officer (01/02/2013-30/06/2013)</b>		
Acting allowance	237 312	-
	<b>946 103</b>	<b>911 596</b>
<b>Remuneration of R. Thekiso - Director Technical Services and Infrastructure (01/09/2009-30/06/2013)</b>		
Annual remuneration	487 812	581 435
Car allowance	185 938	153 184
Housing subsidy	70 000	-
Contributions to UIF, medical and pension funds	-	5 184
Travel, motor car, accommodation, subsistence and other allowances	-	5 791
Transport claims	3 436	-
Other	29 863	82 443
	<b>777 049</b>	<b>828 037</b>
<b>Remuneration of S.S. Mtakati - Director Organisational Development and Corporate Services (09/06/2008-28/09/2012)</b>		
Annual remuneration	167 249	648 115
Car allowance	60 600	227 607
Housing subsidy	9 193	-
Redemption of leave	136 261	-
Other (housing and travelling allowances)	-	35 435
<b>Remuneration of M.J.M. Maseola - Director Organisational Development and Corporate Services (01/02/2013-30/06/2013)</b>		
Annual remuneration	500 000	-
Car allowance	50 000	-
Housing subsidy	50 000	-
Other	12 500	-
	<b>985 803</b>	<b>911 157</b>
<b>Remuneration of M.P. Penkin - Acting Director Social Services (01/06/2012-30/06/2013)</b>		
Acting allowance	101 888	461 751
<b>Remuneration of L.P. Thile - Acting Director Social Services (01/07/2012-30/09/2012)</b>		
Acting allowance	137 145	-
<b>Remuneration of S.L. Lempe - Director Social Services (01/02/2013-30/06/2013)</b>		
Annual remuneration	458 704	-
Car allowance	89 640	-

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>30. Employee related costs (continued)</b>		
Housing subsidy	50 000	-
Transport claims	3 649	-
Telephone allowances	1 656	-
Other	12 500	-
	<b>855 182</b>	<b>461 751</b>

### Remuneration of G.P. Steenkamp - Acting Director Economic Development (01/06/2012-31/08/2012)

Acting allowance	259 395	384 461
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### Remuneration of S.J. Monyaki - Director Economic Development (01/02/2013-30/06/2013)

Annual remuneration	445 833	-
Car allowance	112 500	-
Housing subsidy	41 667	-
Transport claims	3 515	-
Other	12 500	-
	<b>875 410</b>	<b>384 461</b>
<b>Total Employee related costs</b>	<b>170 172 045</b>	<b>159 025 946</b>

### 31. Remuneration of Councillors

Executive Mayor	710 115	689 477
Deputy Executive Mayor	617 593	321 298
Mayoral Committee Members	3 073 980	3 957 364
Speaker	480 141	487 801
Councillors	7 220 088	6 460 173
	<b>12 101 917</b>	<b>11 916 113</b>

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

### Remuneration per councillor

<b>Executive Mayor</b>		
Maklaku BT	710 115	673 095
<b>Deputy Executive Mayor</b>		
Soetsang TL	522 587	529 199
<b>Mayoral Committee Members</b>		
Khonto MW	511 121	500 629
Kubheka NJ	522 587	495 347
Lempe LS (untill December 2012)	304 842	496 107
Radebe AN	522 587	495 347
Semonyo LS	522 587	495 347
Tshongwe SL	522 587	391 752
<b>Speaker</b>		
Matena SZ	556 101	589 963
<b>Councillors</b>		
Chebase LR	213 483	202 351
Coetzer FC	213 482	202 351
Du Plessis J	213 482	193 495
Du Toit T	213 483	202 351
Geyser JJ	213 482	202 351
Grobbelaar JJ	213 482	202 351
Holt S	213 483	202 351
Khunou SB	213 482	202 351
Lelahla JM	221 654	202 351

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>31. Remuneration of Councillors (continued)</b>		
Mabasa KT	498 417	502 119
Mofokeng TJ	213 482	202 352
Mokoena DE	213 482	202 351
Moreki S	328 202	496 615
Motloung DN	213 482	202 352
Moolman HJ	213 482	202 352
Mosia TE	213 482	202 351
Mare AK	213 483	202 351
Mahlangu PJ	213 483	202 351
Mdola NL	213 482	202 351
Machafa MF	213 483	202 351
Maseko VJ	213 482	202 351
Mosia MM	213 482	202 351
Msimanga MJ	213 482	202 351
Mofokeng SS	213 482	76 354
Mtshalo NM	38 059	-
Nthebe MD	213 482	202 351
Ntoane MG	213 483	202 351
Oswald DM	213 482	202 351
Phoofolo SC	-	64 240
Poho MS	213 482	202 351
Ramathesele SI	213 482	202 351
Sejaki MN	213 483	202 351
Tamane MA	213 483	202 351
Van der Walt MC	213 482	202 351
Viljoen JD	213 483	202 351
Other	(83 999)	48 322
	<b>12 101 917</b>	<b>11 916 113</b>
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	43 296 108	59 128 537
Investment property	25 791	25 669
Intangible assets	(44 850)	24 542
	<b>43 277 049</b>	<b>59 178 748</b>
<b>33. Debt impairment</b>		
Contributions to allowance for impairment	62 462 239	79 875 482
Trade and other receivables from exchange transactions	60 883 415	80 582 121
Other receivables from non-exchange transactions	1 578 824	(706 639)
TOTAL	<b>62 462 239</b>	<b>79 875 482</b>
<b>34. Finance costs</b>		
Finance leases	728 565	2 497 108
Current borrowings	98 874	-
Other interest paid	346 346	815 144
	<b>1 173 785</b>	<b>3 312 252</b>
<b>35. Auditors' remuneration</b>		
Fees	3 723 877	2 976 678

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 36. Contracted services

Specialist services	9 820 545	7 253 672
Other contractors	10 239 144	8 699 760
	<b>20 059 689</b>	<b>15 953 432</b>

#### Specialist services

Security services	9 820 545	7 253 672
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#### Other contractors

Cash security	284 273	365 281
Cleaning services	1 738 229	1 451 853
Electricity pre paid service	4 924 394	3 230 361
Disconnection and re-connection of services	117 567	237 335
Printing services	1 326 704	1 180 148
Delivery of summonses/traffic fines	1 847 977	2 234 782
	<b>10 239 144</b>	<b>8 699 760</b>

### 37. Grants and subsidies paid

#### Other subsidies

Equitable Share	30 939 115	17 656 410
Grant In Aid	18 494	33 746
	<b>30 957 609</b>	<b>17 690 156</b>

Donations were given to students. Equipment was purchased and donated to schools.

Equitable share is used to subsidise registered indigents.

### 38. Bulk purchases

Electricity	144 367 038	125 554 459
Water	90 750 854	78 639 910
	<b>235 117 892</b>	<b>204 194 369</b>

*Distribution losses:*

#### 2013

	Purchase	Sold	Difference	% (Loss)/ Gain	Adjustment	% (Loss)/ Gain
Electricity (kWh)	218 908 782	192 599 912	(26 308 870)	(12.02)%	14 995 248	(5.17)%
Water (Kilolitre)	18 533 824	16 639 718	(1 894 106)	(10.22)%	578 920	(7.10)%

#### 2012

	Purchase	Sold	Difference	% (Loss)/ Gain	Adjustment	% (Loss)/ Gain
Electricity (kWh)	216 871 579	182 981 042	(33 890 537)	(15.63)%	28 620 169	(2.43)%
Water (Kilolitre)	18 243 254	17 255 757	(987 497)	(5.41)%	(753 610)	(9.54)%

Unaccounted consumption can be a result of:

- Billing problems with consumption;
- Distribution loss;
- Internal use that is not metered and not read;

# Metsimaholo Local Municipality

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Figures in Rand	2013	2012
<b>38. Bulk purchases (continued)</b>		
- Illegal connections and theft; and		
- Units sold are based on meters read, interim levies plus prepaid units sold.		
<b>39. Cash generated from operations</b>		
Surplus (deficit)	3 407 319	(65 129 577)
<b>Adjustments for:</b>		
Depreciation and amortisation	43 277 049	59 178 748
Loss on sale of assets and liabilities	(281 384)	232 979
Fair value adjustment on shares	(514 576)	(377 633)
Actuarial loss	2 610 176	4 471 846
Surplus inventory	10 301	(82 112)
Dividends received	-	(59 064)
Debt impairment	62 462 239	79 875 482
Movements in operating lease asset and accruals	94 262	389 364
Movements in landfill closure provision	1 788 690	1 687 444
Movements in employee benefits obligation	4 434 815	6 158 796
Other non-cash items - not to be used	-	(636 591)
<b>Changes in working capital:</b>		
Inventories	(2 864 697)	35 600 390
Receivables from non-exchange transactions	(172 512)	(14 009 221)
Consumer receivables	(68 037 404)	(58 848 924)
Payables from exchange transactions	28 675 851	36 774 259
VAT	1 820 750	(15 639 050)
Unspent conditional grants and receipts	(2 931 811)	(3 719 458)
Consumer deposits	1 522 717	1 089 234
Other financial assets	3 666 284	7 724 664
	<b>78 968 069</b>	<b>74 681 576</b>
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	10 941 976	-
• Infrastructure	5 435 186	85 086 488
• Other expenditure	14 923 991	-
	<b>31 301 153</b>	<b>85 086 488</b>
This committed expenditure relates to plant and equipment, infrastructure and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	3 491 346	2 002 800
- in second to fifth year inclusive	1 764 245	2 411 011
	<b>5 255 591</b>	<b>4 413 811</b>
Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles (government garage). Leases for motor vehicle are negotiated for an average of seven years and rentals fixed for the full term of the lease.		
Contingent rental of R... (2012/13) and R1 645 220 (2011/12) were paid during the years.		
<b>Operating leases - lessee (Abrahamsrust)</b>		
<b>Minimum lease payments due</b>		
- within one year	1	1
- in second to fifth year inclusive	3	4

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 40. Commitments (continued)

- later than five years

-	-
4	5

Operating lease payments represent rentals payable by the entity for rental of property situated in Abrahamsrust. The municipality has a 50 year lease option that expires on 31 March 2017.

### 41. Contingencies

#### Contingent liabilities

Housing loans		
Guarantees for housing loans to employees at financial institutions	30 161	24 408
Leabea and Associates (Employee related matters)		
Coertzen	-	250 000
Kriel	-	250 000
Klaumanns & Roux	-	250 000
Samwu	-	250 000
GLM Denny & R G Ross//Metsimaholo Matter 1357	-	330 000
Edem & Associates//Metsimaholo 1387	-	50 000
Cases on selling of vacant stands		
African Oxygen Limited T/A Afrox	-	26 220
Ukwazi Force CC	-	5 150 566
L M Segoati	-	53 860
Civil suit against the municipality by a previous employee. Court ruled in favour of plaintiff. Determination of quantam is still pending.		

The following cases are pending and information is not available to supply reliable figures:

- Ndobela Attorneys - matter of SAMWU under case no. JR1998/2012 & J1358 still pending at the Labour Court.
- Moroka Attorneys - matter of Capital Alliance still outstanding
- Nkaiseng Attorneys - Neil de Klerk



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 42. Change in estimate

#### Property, plant and equipment

The useful life of all property, plant and equipment items in the asset register on 1 July 2012 was extended with 3 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 18 497 278.

### 43. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a description of each individual prior error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

#### 1. Provision for landfill closure

Item were not accounted for as provision prior to the 2011/2012 reporting period.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	28 124 058
<b>Adjustments affecting the statement of financial position</b>		
Increase in landfill closure provision	-	(29 811 501)
	-	(29 811 501)
<b>Adjustments affecting the statement of financial performance</b>		
Increase in general expenses	-	1 687 443

#### 2. Expenses not accrued in prior years

Some service charges, rates and other income were incorrectly billed in 2010/2011 and 2011/2012 years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	3 024 226
<b>Adjustments affecting the statement of financial position</b>		
Increase in payables from exchange transactions	-	(5 707 795)
	-	(5 707 795)
<b>Adjustments affecting the statement of financial performance</b>		
Increase in general expenses	-	433 198
Increase in repairs and maintenance	-	11 760
Decrease in other income	-	278 329
Increase in personnel costs	-	560 826
Decrease in service charges	-	1 739 808
Increase in finance charges	-	305
	-	3 024 226

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 43. Prior period errors (continued)

#### 3. Revenue incorrectly accounted in the prior year

Some service charges, rates and other income were incorrectly billed in 2010/2011 and 2011/2012 years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	(229 139)
<b>Adjustments affecting the statement of financial position</b>		
Increase in receivables from exchange transactions	-	226 660
	-	226 660
<b>Adjustments affecting the statement of financial performance</b>		
Decrease in other income	-	2 307
Decrease in fines	-	120
Decrease in service charges	-	52
	-	2 479

#### 4. VAT

Some VAT were incorrectly accounted for in the 2010/2011 and 2011/2012 years. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	(1 462 860)
<b>Adjustments affecting the statement of financial position</b>		
Increase in VAT receivable	-	1 475 953
	-	1 475 953
<b>Adjustments affecting the statement of financial performance</b>		
Decrease in general expenses	-	(43 614)
Increase in other income	-	30 521
	-	(13 093)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 43. Prior period errors (continued)

#### 5. Grants

Grant balance for MIG were incorrectly allocated to government grants revenue in the prior year. These have been corrected and the 2011/2012 amounts restated accordingly.

The effect of this adjustment on the prior year is as follows:

<b>Adjustment against opening Accumulated Surplus 1 July 2011</b>	-	-
<b>Adjustments affecting the statement of financial position</b>		
Increase in unspent conditional grants and receipts	-	(636 591)
	-	636 591
<b>Adjustments affecting the statement of financial performance</b>		
Decrease in government grants & subsidies	-	636 591

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012		
43. Prior period errors (continued)				
Statement of Financial Performance for the year ended 2012	Balance as previously reported	Reclassification	Prior period error	Restated balance
Revenue				
Service charges	325 092 050	7 981	(1 739 860)	323 360 171
Property rates	86 651 879	-	(120)	86 651 759
Rental of facilities and equipment	4 256 977	(631)	-	4 256 346
Interest received (trading)	17 799 107	-	-	17 799 107
Non-payment fees	-	3 068 259	-	3 068 259
Licences and permits	66 438	-	-	66 438
Fines	6 307 952	(100)	-	6 307 852
Levies - refuse dumpyard	-	464 125	-	464 125
Connection fees	-	1 583 422	-	1 583 422
Income legal costs	-	1 923 880	-	1 923 880
Interest received - other	2 357 394	-	-	2 357 394
Dividends received	59 064	-	-	59 064
Government grants and subsidies	132 991 583	-	(636 591)	132 354 992
Other income	9 878 122	(7 112 215)	(311 158)	2 454 749
Total revenue	260 368 516	(73 260)	(947 869)	259 347 387
	585 460 566	(65 279)	(2 687 729)	582 707 558
Expenditure				
Personnel	(158 465 120)	-	(560 826)	(159 025 946)
Remuneration of councillors	(11 916 113)	-	-	(11 916 113)
Depreciation and amortisation	(59 178 748)	-	-	(59 178 748)
Finance costs	(3 311 947)	-	(305)	(3 312 252)
Debt impairment	(79 875 482)	-	-	(79 875 482)
Repairs and maintenance	(24 373 311)	58 504	(11 760)	(24 326 567)
Bulk purchases	(204 194 369)	-	-	(204 194 369)
Contracted services	(15 953 432)	-	-	(15 953 432)
Grants and subsidies paid	(17 690 156)	-	-	(17 690 156)
General expenses	(64 040 328)	(34 106)	(2 077 027)	(66 151 461)
Total expenditure	(638 999 006)	24 398	(2 649 918)	(641 624 526)
Loss on disposal of assets and liabilities	(624 663)	40 881	-	(583 782)
Actuarial loss	(4 471 846)	-	-	(4 471 846)
Fair value adjustments	(1 967 529)	-	-	(1 967 529)
Gain on property, plant and equipment	350 803	-	-	350 803
Surplus/(Loss) on inventory	82 112	-	-	82 112
Fair value of shares	377 633	-	-	377 633
	(645 252 496)	65 279	(2 649 918)	(647 837 135)
Operating surplus / (deficit)	(59 791 930)	-	(5 337 647)	(65 129 577)
Surplus / (deficit) for the year	(59 791 930)	-	(5 337 647)	(65 129 577)
	(59 791 930)	-	(5 337 647)	(65 129 577)

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012		
<b>43. Prior period errors (continued)</b>				
<b>Statement of Financial Position as at 2012</b>	<b>Balance as previously reported</b>	<b>Reclassi- fication</b>	<b>Prior period error</b>	<b>Restated balance</b>
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	18 098 857	-	-	18 098 857
Other Financial Assets	16 270 580	-	-	16 270 580
Receivables from non-exchange transactions	12 314 258	(254 733)	226 660	12 286 185
VAT receivable	3 880 622	28 072	1 475 953	5 384 647
Consumer Debtors	91 023 393	293 723	-	91 317 116
Cash and cash equivalents	7 675 888	-	-	7 675 888
Total current assets	149 263 598	67 062	1 702 613	151 033 273
	<b>149 263 598</b>	<b>67 062</b>	<b>1 702 613</b>	<b>151 033 273</b>
<b>Non-current Assets</b>				
Investment property	79 259 500	-	-	79 259 500
Property, plant and equipment	830 635 527	(561 000)	-	830 074 527
Intangible assets	134 207	-	-	134 207
Heritage assets	-	561 000	-	561 000
Other Financial Assets	127 111	-	-	127 111
Total non-current assets	910 156 345	-	-	910 156 345
	<b>910 156 345</b>	<b>-</b>	<b>-</b>	<b>910 156 345</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Finance lease obligation	9 209 342	-	-	9 209 342
Operating lease liability	389 364	-	-	389 364
Payables from exchange transactions	114 455 378	67 062	5 707 795	120 230 235
Consumer deposits	10 647 537	-	-	10 647 537
Conditional grants and receipts	7 403 812	-	636 591	8 040 403
Total current liabilities	142 105 433	67 062	6 344 386	148 516 881
	<b>142 105 433</b>	<b>67 062</b>	<b>6 344 386</b>	<b>148 516 881</b>
<b>Non-current Liabilities</b>				
Provisions Employee Benefits	40 934 758	-	-	40 934 758
Landfill closure provision	-	-	29 811 501	29 811 501
Total non-current liabilities	40 934 758	-	29 811 501	70 746 259
	<b>40 934 758</b>	<b>-</b>	<b>29 811 501</b>	<b>70 746 259</b>
<b>Net Assets</b>				
Accumulated surplus - Opening balance	936 171 682	-	(29 115 627)	907 056 055
Surplus / (deficit)	(59 791 930)	-	(5 337 647)	(65 129 577)
Total net assets	876 379 752	-	(34 453 274)	841 926 478
	<b>876 379 752</b>	<b>-</b>	<b>(34 453 274)</b>	<b>841 926 478</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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### 44. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards. All changes resulting from the application of these Standards of GRAP were accounted for retrospectively.

- GRAP 23: Revenue from Non-exchange Transactions
- GRAP 24: Presentation of Budget Information in Financial Statements
- GRAP 103: Heritage Assets
- GRAP 21: Impairment of Non-cash-generating Assets
- GRAP 26: Impairment of Cash-generating Assets
- GRAP 104: Financial Instruments
- GRAP 1 (as revised 2012): Presentation of Financial Statements
- GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors
- GRAP 9 (as revised 2012): Revenue from Exchange Transactions
- GRAP 12 (as revised 2012): Inventories
- GRAP 13 (as revised 2012): Leases
- GRAP 16 (as revised 2012): Investment Property
- GRAP 17 (as revised 2012): Property, plant and Equipment
- GRAP 31 (as revised 2012): Intangible Assets
- IGRAP 16: Intangible Assets - Website Costs

No figures changed as a result of the adoption of the above new or revised standards but resulted in more disclosure information requirements.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2012 is disclosed in note 43 - Prior period errors.

### 45. Comparative figures

Certain comparative figures have been reclassified.

The reasons for reclassification is to classify other income items in correct other income votes.

The effects of the reclassification are as follows:

#### Statement of Financial Performance

Decrease electricity residential/Increase building plan fees	-	1 618
Decrease selling of plans/Increase building plan fees	-	781
Decrease prepaid electricity/Increase building plan fees	-	50
Decrease fines and penalties/Increase building plan fees	-	100
Decrease valuation certificates/Increase building plan fees	-	606
Decrease tender deposits/Increase building plan fees	-	500
Decrease sales refuse bags/Increase building plan fees	-	29
Decrease connection fees/Increase building plan fees	-	1 846
Decrease entrance fees Abrahamsrust/Increase building plan fees	-	789
Decrease rental council properties/Increase building plan fees	-	894
Decrease building plan fees/Increase connection fees	-	368
Decrease telephone costs/Increase private telephone	-	257 216
Decrease sales copies/Increase profit on the sale of asset	-	40 881
Decrease sales copies/Increase prepaid electricity	-	9 620
Decrease sales copies/Increase insurance aggregate	-	227 542
Decrease sales copies/Increase maintenance vehicles	-	29 605

### 46. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk ( e.g. fair value interest rate risk, cash flow interest rate risk and price risk).

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 46. Risk management (continued)

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	130 164 365	-	-	-
At 30 June 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	120 230 235	-	-	-
Consumer deposits	10 647 537	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Receivables from exchange transactions	80 180 945	74 605 780
Receivables from non-exchange transactions	29 170 033	28 997 521
Cash and cash equivalents	9 184 281	7 675 888

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 47. Going concern

We draw attention to the fact that at 30 June 2013, the municipality had accumulated deficits of R 845 333 800 and that the municipality's total liabilities exceed its assets by R 845 333 800.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern and will continue in operation and meet its statutory obligations for the foreseeable future, due to the fact that the municipality has the power to levy Rates and Taxes. There is also the multi-gear funding agreements through the DORA from National Treasury. The municipality will also embark on a community campaigns to encourage payment of services.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

### 48. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

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<b>49. Unauthorised expenditure</b>		
Opening balance	89 298 130	83 749 949
Unauthorised expenditure - current year	5 324 077	6 173 762
Approval by Council or Condoned	(5 034 682)	(625 581)
	<b>89 587 525</b>	<b>89 298 130</b>

An investigation committee was established in the 2012/2013 financial year to investigate all the cases.

### Details of unauthorised expenditure – current year

Bosele Security - Security provided at the property for the municipality. There is no appointment letter, no contract, no proof of record for the hours worked for each security guard (Office of municipal manager: security services)	216 900
Beethoven's Guest House Lodge - Accommodation of director LED Ms Monyaki (Corporate /LED services)	17 050
Financial Services exceeded budget. Budget R29,012,120 actual expenditure R34,102,247	5 090 127
	<b>5 324 077</b>

### Details of unauthorised expenditure - prior year

#### Employees

Staff appointed in positions that are not on approved structure 2 559 273

Report to Council. (Corporate services)

Staff act in posts that is not on approved structure. (Corporate services) 365 704

#### Office of Council

Office of Mayor exceeds Budget 1 056 303

#### Office of Municipal Manager

#### Finance

Depreciation increase on update of Asset register 2 178 782

Compliance GRAP standard (Assets, provision for leave)

(Assets, provision for leave, Off set depreciation)

To be reported to Council.

#### LED

#### Lennoxely Investment Holding

Payment for accommodation for netball team without an order 13 700

**6 173 762**



# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

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### 49. Unauthorised expenditure (continued)

#### Details of unauthorised expenditure condoned - current year

2008/2009 - Employees - Staff act in positions that are not on approved structure	2 234	
2009/2010 - Employees - Staff act in positions that are not on approved structure	121 385	
2009/2010 - Employees - Staff appointed in positions that are not on approved structure	120 385	
2010/2011 - Employees - Staff acts in positions that are not on approved structure. Reported in June 2011 Financial Indicators.	444 968	
2010/2011 - Employees - Staff appointed in positions that are not on approved structure. Reported in June 2011 Financial Indicators.	1 407 033	
2011/2012 - Employees - Staff act in positions that are not on approved structure	365 704	
2011/2012 - Employees - Staff appointed in positions that are not on approved structure	2 559 273	
2011/2012 - Lennocely Investment Holding - Payment for accommodation for netball team without an order Reported September 2011 Financial Indicators	13 700	
	<b>5 034 682</b>	

#### Details of unauthorised expenditure condoned - prior years

##### 2012

##### Valuation Roll (2006/2007)

Additional appointment (Mr Notsi was not part of contract). Amount irrecoverable and be written off	499 265
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##### Fencing of dumpsite (2008/2009)

Unforeseen circumstances at the time of awarding the tender. (Variation orders)	126 316
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**625 581**

##### 2011

##### The following unauthorised expenditure was condoned at the Council meeting of 25 July 2012.

##### 2008/2009

Bad Debts (Financial services)	56 080 683
Provisions (Financial services)	1 494 531
General Expenditure (Financial services)	1 822 436
Finance Cost (Financial services)	3 987 835

##### 2010/2011

##### Office of Municipal Manger

Depreciation increase on update of Asset register	2 129 211
Compliance GRAP standard.	

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>49. Unauthorised expenditure (continued)</b>		
<b>Finance</b>		
Depreciation increase on update of Asset register		11 618 906
Compliance GRAP standard (Assets, provision for leave)		
(Assets, provision for leave, Off set depreciation).		
<b>LED</b>		
Depreciation increase on update of Asset register		3 074 473
Compliance GRAP standard (Asset register)		
Loss on demolition of hostel.		
		<b>80 208 075</b>

### 50. Fruitless and wasteful expenditure

Opening balance	6 479 684	5 530 570
Fruitless and wasteful expenditure - current year	1 235 944	1 035 341
Condoned or written off by Council	(31 010)	(86 227)
	<b>7 684 618</b>	<b>6 479 684</b>

#### Details of fruitless and wasteful expenditure – current year

Sheriff - Case between Axton Matrix Construction and Metsimaholo Municipality in attachment of property (Legal section)	6 797
Melato Attorneys - For SABLG settlement agreement on the case of Mr Fusi John Motloun (Legal services)	78 222
MTN - Unknown persons use cell phone and another person use 3G to make calls.	7 157
Cape Town Airport - Ms Matladi Mokoena and Mr Teboho Mokoena attended an IMFO Risk and Audi Indaba. Due to unforeseen circumstances beyond their control over the traffic in N2 route to Cape Town Airport, they arrived 30 minutes before the time and were requested not to check in as the boarding gate was closed. Therefore were told to apply for a standby flight in which an extra fee of R 2 320 was requested from each individual (Office of the municipal manager)	4 640
Ramosunya Catering - Catering for wellness day. Not all the goods were received as per agreement (Corporate services)	45 000
Sheriff of the court - Court case between Metsimaholo and Axton Matrix (Corporate services)	18 066
MMD Kobue - Salary (Corporate services/office of the MM)	22 478

# Metsimaholo Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>50. Fruitless and wasteful expenditure (continued)</b>		
IPM - For the annual convention and exhibition. The delegates did not attend (Corporate services)	26 370	
Nashua Vaal - Photocopy machine not used. Interest on invoices 074259, 077983, 080944 (Office of the municipal manager)	18 083	
Nashua Vaal - Payment for photocopy machine not used (Office of the municipal manager)	15 570	
Sheriff of the court - Payment with regards to case no: 2/2012 African Oxygen Ltd/ta Afrox (Corporate services)	34 994	
Matsepes Attorneys - Payment for warrant of execution GLM Denny & RG Ross / Metsimaholo case no: 300/2012	10 396	
Telkom - Payment for telephone lines and calls. Interest charged on late payment of account.	9 104	
Auditor General - Payment for assurance work performed. Interest charged on late payment of account.	79 662	
Eskom - Payment for bulk purchase of electricity. Interest charged on late payment of account.	7 494	
Interest on HP lease on extended terms	495 901	
Interest on INCA loan	356 010	
	<b>1 235 944</b>	

### Details of fruitless and wasteful expenditure - prior year

<b>Auditor General</b>	
Interest. Arrangements made for payments. Report to Council. (Financial services)	202 807
<b>TELKOM</b>	
Interest late payment. Report to Council. (Corporate services)	18 582
<b>ESKOM</b>	
Interest late payment. Report to Council (Technical Services)	3 443
<b>Free State Province</b>	
Interest on licence fees. Report to Council. (Technical Services)	8 844
<b>Inca Fin</b>	
Interest on copy cost (BHR). Report to Council. (Various departments)	624
<b>Cape Media Corporation</b>	
Employees did not attend conference (LED)	28 500
<b>Post Office</b>	
Interest on late payment (Corporate services)	40

# Metsimaholo Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>50. Fruitless and wasteful expenditure (continued)</b>		
<b>SALGBC</b>		
Payment as per directive award. Dispute on non-compliance of clause 11 of Wage Agreement collective. (Corporate services)		1 250
<b>F J Motloung</b>		
Arbitration award to Mr F J Motloung of R166 030.85 as the suspension imposed was procedurally and substantively unfair. (Office of the Municipal Manager)		166 031
<b>J M Industries</b>		
Cost and interest in terms of late payment to J M Industrial (Pty) Ltd as per warrant of execution. (Social/Corporate services)		24 680
<b>HP</b>		
Interest on non payment of Datacentrix (Financial services)		573 946
<b>Roodt Attorneys</b>		
Collection cost (Social services)		6 594
		<b>1 035 341</b>

### Details of fruitless and wasteful expenditure condoned - current year

#### The following fruitless and wasteful expenditure was approved by Council: 2012/2013

Ms Matladi Mokoena and Mr Teboho Mokoena attended an IMFO Risk and Audit Indaba. Due to unforeseen circumstances beyond their control over the traffic in N2 route to Cape Town Airport, they arrived 30 minutes before the time and were requested not to check in as the boarding gate was closed. Therefore were told to apply for a standby flight in which an extra fee of R2320.00 was requested from each individual.	2 320
Ms Matladi Mokoena and Mr Teboho Mokoena attended an IMFO Risk and Audit Indaba. Due to unforeseen circumstances beyond their control over the traffic in N2 route to Cape Town Airport, they arrived 30 minutes before the time and were requested not to check in as the boarding gate was closed. Therefore were told to apply for a standby flight in which an extra fee of R2320.00 was requested from each individual.	2 320
Payment to IPM for the annual convention and exhibition. The delegates did not attend.	26 370
	<b>31 010</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>50. Fruitless and wasteful expenditure (continued)</b>		
<b>Details of fruitless and wasteful expenditure condoned - prior years</b>		
<b>The following fruitless and wasteful expenditure was approved by Council:2009/2010</b>		
Interest Eskom (Technical Services)		1 423
Interest and penalties on VAT (Financial services)		63 332
Interest Telkom (Corporate services)		12 750
Interest Huge Telkom (Corporate services)		5 605
Interest Auditor General (Financial services)		3 117
		<b>86 227</b>
<b>51. Irregular expenditure</b>		
Opening balance	162 913 899	92 352 028
Add: Irregular expenditure - current year	69 858 976	66 224 650
Add: Irregular expenditure transferred from under investigation	-	5 445 676
Less: Amounts condoned	(268 150)	(1 108 455)
	<b>232 504 725</b>	<b>162 913 899</b>
<b>Details of irregular expenditure – current year</b>		
Nando's - Catering for physically challenged children as part of Mandela Day. The quotation was not obtained by supply chain management. (Office of council whip)	1 619	
Mbele Taxi Transport Service - Transport for councillors to attend Mandela Day. The quotation was obtained outside the official procurement procedures of the municipality.	1 500	
Bosele Security - Security provided at the property of the municipality. There is no appointment letter or contract. ( Office of municipal manager)	7 351 263	
Rent to Kill - Original tax clearance certificates for the winning provider were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. SCM procedures not followed. (Corporate services)	36 997	
Motsoeneng Taxis - Transport to and from Bloemfontein. Quotations were not obtained through the official procurement fo the municipality. (Office of the executive mayor)	38 080	
Lexus Security - Security at pay point within the municipality. There is no contract. (Office of municipal manager)	2 676 499	
Zio Cash and Carry - Groceries for Mandela Day. The quotations were obtained outside the procurement process. (Office of executive mayor)	17 069	

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
PUISANO - SCM procedures were not followed. (Office of municipal manager)	24 500	
Electro Cuts - Procedures not followed for contracts that exceeds 3 years. (Financial Services)	228 825	
G4S Cash Solutions (SA) (Pty) Ltd - Original tax clearance certificates for the winning provider were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. (Financial Services)	282 018	
Kolomaka Investment Services - For delivery of portable water to Mooidraai. Service provider is not registered on database. (Technical services: Water)	9 944	
T.S. Xaba Photo and Video Services - For photos and video shooting for Mandela Day. Service provider is not registered on the database. (Office of council whip)	1 770	
Makhadzo Trading and Projects CC - For transport of people to Bloemfontein. Procedure outside the procurement. (Office of executive mayor)	30 000	
Buffalo Creek Spur - For lunch with Little Miss Teen World. Service provider not on the database. ( Office of the executive mayor)	3 977	
Mail a Million - Post of accounts. Service provider not registered on the database. (Financial services)	38 712	
Steers - Catering for meeting between councillors, SAMWU and Free State Premier. Service Provider not on the database. (Office of council whip)	1 751	
Fax and Copier Clinic - Service provider not registered on the database. (Office of municipal manager)	351	
Selebala Painting and Projects - Transport of women to Heilbron. Three quotations were not obtained. (Office of council whip)	2 200	
Sido Consulting Engineers - Three written or verbal quotations not obtained and not registered wit CIDB. (SCM)	21 227 150	
Corporate Base Management - Payment for blankets on Mandela Day. SCM regulations were not followed. (Office of executive mayor)	115 500	

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Marena Printing Co (Pty) Ltd - Procedures not followed for contracts that exceed 3 years. Original tax clearance certificates for the winning provider were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. (Corporate services)	1 718 729	
Merchant West. There is no contract . (Corporate Services)	487 301	
Huge Telecoms - No SLA or register on database. (Corporate services)	314 497	
Macbolann Computer Stores - Awards to service providers who are in the services of State. Tobe reported to Council. (Office of the Municipal Manager (IT)	26 002	
Inkokheli Business Enterprise - Hiring of construction plant/equipment. The advert should have been signed by the accounting officer prior to the invitation of bidders. (SCM)	5 334 272	
Motsoeneng Trading and Projects. The SCM procedures were not followed. (Office of executive mayor)	62 750	
Millennium Pumps - Supply and delivery of ultra V series horisontal self rimming centrifugal pump. The advert should have been signed by the accounting officer prior to invitation of bidders. (SCM)	2 630 172	
Selebalo Painting and Projects - Transportation of municipal employees to attend funeral. SCM procedures were not followed. (Social services)	68 000	
Stonehenge - Strategic planning Session for delegates. SCM procedures were not followed. (Corporate services)	67 159	
Motsoeneng Trading and Projects - For transportation of sport teams. SCM procedures were not followed. (Office of executive mayor)	25 200	
Motsoeneng Trading and Projects - Catering for stakeholders forum meeting. SCM procedures were not followed. (Office of executive mayor)	172 000	
Sedgars - Blankets for Amelia residents after disaster. SCM procedures were not followed. (Office of executive mayor)	52 000	
Marvin Marketing - Supply of sodium hyphochloride transport. (Technical services)	32 102	
Marvin Marketing - Supply of sodium hyphochloride transport. (Technical services)	32 011	

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Hlaba's Consulting Media - Payment for motivational session as per social responsibility of executive mayor to youth during Mandela week. (Office of executive mayor)	5 000	
Mantaks Confectionery and Catering - Catering for roles and responsibilities workshop. (Office of the Speaker)	5 786	
Zaliocube - Transport for youth development programme and scholarship outreach programme. (Office of executive mayor)	3 200	
Zaliocube - Transport of Metsimaholo youth project group to Randurg show. (Office of executive mayor)	7 000	
Basia Tours - Transport to youth programme event. (Office of executive mayor)	4 300	
Ehlatini Music Entertainment - Sound for the heritage month celebration. (Office of the speaker)	12 000	
ATN Production - Photographer during guidance week. (Corporate services HR training)	4 955	
Lema Printing and Media House - Adverts in PUISANO council meeting and representative forum on IDP. (Office of executive mayor)	22 000	
Mooivaal Media - Adverts on council meeting. (Office of executive mayor)	16 421	
SJ du Plessis Attorneys - Matter of JM Segoati and Metsimaholo. (Corporate services)	1 093	
Lebea and Associates Attorneys - For legal services. (Corporate services)	197 152	
Copper Moon Trading - Procedures not followed for contracts that exceeds 3 years. (Social services)	1 633 758	
Disky Cleaning Services - Procedures not followed for contracts that exceeds 3 years. (Corporate services)	1 678 762	
Lemas trading - For transport and catering of the blindness awareness event. (Office of the mayor)	26 650	
Motsoeneng Trading and Projects - Transport for netball and soccer teams from Sasolburg to Kroonstad (Office of the Mayor)	25 200	
Batho Let's Do It Enterprise - For catering of main event chief whip's heritage month (Office of the mayor)	104 000	



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Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
CESA - For training on advanced excel. Correct SCM processes were not followed (3 quotation were not obtained) (PMU)	17 547	
JS Khambule - For transport for members of greater Sasolburg to Disable Association attending a funeral in Virginia. Correct SCM processes were not followed. (3 quotation were not obtained) (Office of Executive Mayor)	7 200	
Bophele Trading CC - For catering on the World Haemophilia Day Awareness. Correct SCM processes were not followed. (Office of Executive Mayor)	50 000	
Marwin Marketing - For supply of sodium hypochloride transport to Deneysville. Deviation not signed by the MM. (Technical services)	28 000	
Tats Electrical Services (Pty) Ltd - For the construction of 20 MVA, 88/11 KV Leitrim substation for Leitrim, Gortin & Amelia developments. The advert should have been signed by the accounting officer prior to the invitation of bidders. (SCM)	1 832 669	
Tshwaneleho Trading Enterprise - For supply and delivery of cold asphalt premix (25kg) bags. The advert should have been signed by the accounting officer prior to the invitation of bidders. (SCM)	2 812 500	
Isintu Projects CC - For acquisition of service provider to clean storm water concrete pipes and pressure pipe cleaner. The advert should have been signed by the accounting officer prior to the invitation of bidders. (SCM)	1 787 204	
Mlokotha Construction & Mangement Serv CC - For the construction of new interlocking of the paved roads and storm water drainage system for streets with paving blocks and Water Reservoir Amelia. The advert should have been signed by the accounting officer prior to the invitation of bidders. (SCM)	10 072 137	
Mail a Million - For folding and inserting of documents municipal statements into envelopes and seal. The service provider is not registered on the municipal database and there is no contract in place. Correct SCM processes were not followed when appointing the service provider. (Financial services)	225 311	
Hewlett-Packard Financial Services Holding Co Ltd - Debit/payments exceeds contract with Datacentrix/Computer Ink and Media Solutions. (Office of the Municipal Manager)	7 627 694	

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Siyabuselela Trading Enterprise150 for catering during Mandela day (Mandela day sport challenge cup held 20/07/2012. Correct SCM processes were not followed (3 quotation not obtained ) (Supply chain Management)	9 900	
	<b>71 329 359</b>	

### Details of irregular expenditure – prior year

Minolta - Photocopiers tender procedure not followed (Office of Municipal Manager)	525 229
-Marena Printing (Corporate services)	1 703 549
-Rentokil (Corporate Services)	217 634
-G4S (Financial Services)	364 145
-Thalabodima Trading (Office of the mayor)	87 000
-Macbolann Computer Store (Office of the Municipal Manager)	64 945
-Macbolann Computer Store, declarations of interest could not be obtained (Office of the Municipal Manager)	29 283
-Good Future Trading and Projects 230, declarations of interest could not be obtained (Office of municipal manager)	250 000
-Kgatholoha Guest house (Finance services)	7 200
-Liedjiesbos Farm	980
Batho Tom Steel Construction - Awards to suppliers where the employees are in service fo the municipality	6 000
Datacentrix - Debit order exceeds contract with Datacentrix/Computer Ink and Media solutions. Report to Council. (Office of Municipal Manager)	13 012 892
Tzoneva Asphalt (PTY) Ltd - Appointment for sealing and resurfacing of roads. The advert should have been signed by the accounting officer prior to the invitation of bidders, the AFS and CIDB is outstanding (Technical Services)	2 116 491
Boipelo Engineering (PTY) Ltd - The construction of Zamdela Leirim 88 KV double circuit & 12 core OPGW. The advert should have been signed by die accounting officer prior to the invitation of bidders and their AFS is outstanding (Technical services)	450 175

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Inkokheli Business Enterprise - hiring of construction Plant/Equipment. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		7 925 180
Tshwaneleho Trading Enterprise - Supply and delivery of cold asphalt premix (25kg) bags. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		2 241 570
Mokemedi Engineering - Appointment of professional service provider: Electrical engineering work. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		356 322
Millenium Pumps - Supply and delivery of Ultra V series horizontal self rimming centrifugal pump. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical Services)		1 861 686
Tats Electrical Services (PTY) Ltd - The construction of 20 MVA 88/11 KV Leitrim substation for the Leitrim, Gortin & Amelia developments. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		1 988 351
Roshqott (PTY) Ltd - The construction of 20 MVA 88/11 KV Leitrim substation for the Leitrim, Gortin & Amelia developments. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		1 305 050
Mlokothwa Construction & Management services - The construction of new interlocking of the paved roads and storm water drainage system for streets with paving blocks. The advert should have been signed by the accounting officer prior to the invitation of bidders (Technical services)		10 732 921
Price Waterhouse Coopers - Development of a GRAP, IFRS compliant fixed asset register. The advert should have been signed by the accounting officer prior to the invitation of bidders (Financial services)		426 580

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Agobel Productions - Filming of Premier's graduates programme and Mayor's inuaguration programme. In terms of regulation 18 of the SCM all the requirements above R 30 000.00 (VAT inclusive) are to be procured by means of Formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained ( Office of the Mayor)		30 000
Cash Build - Building Material as Donation. In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (VAT inclusive) three quotations must be submitted. The correct SCM procedures were not followed. The memo doesn't even state the reasons for the procurement (Technical services)		5 903
Mofokeng Trading & Tours -Transportation of unemployed graduates from Refengkgotso to Boiketlong (Premier's invite). The service providers are not listed on our database (Office of the mayor)		3 360
ATN Productions - DVD at Stonehaven for special programme for pensioners. In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (VAT inclusive) three quotations must be submitted. The correct SCM procedures were not followed (Office of the mayor)		15 000
Bosele Security - Security services during the mayors inauguration. In terms of regulation 18 of the SCM all the requirements above R 30000.00 (VAT inclusive) are to be procured by means of formal writeen prive quotation be advertysed at least seven days on the municipla notice board and website. The correct SCM processes did not take place. Only one quotation was obtained (Office of the mayor)		59 500
Stormy Seasons Trading and Projects - In addition of items for facilitaiton of executive mayor's inauguration ceremony. The correct SCM procedures were not followed (Office of the mayor)		180 005
Thulani Trading - repair of motor gate at mechanical workshop. The service providers are not listed on the database (Technical services)		14 000

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Iceburg Trading - Supply and delivery of golf shirts. In terms of regulation 18 of the SCM all the requirements above R 30000.00(VAT inclusive) are to be procured by means of formal written price quotation be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained (Office of the mayor)		51 900
Merbombo Projects CC - No evaluation and adjudication documents		726 654
Copper Moon - Procedures not followed for contract that exceeds 3 years (Social services)		2 254 783
Electro Cuts - procedures not followed for contract that exceeds 3 years (Financial services)		254 927
Disky Cleaning Services - Procedures not followed for contract that exceeds 3 years (Corporate services)		1 548 462
Batloung Technologies CC - No advert on notice board (Office of the municipal manager)		66 930
-Selebala Painting and Projects. (Office of Municipal Manager)		29 000
-Builders Market Vaal (Technical Services)		2 975
-MSF IT Solutions CC (Office of the Municipal Manager)		3 962
-A & D Graphics (Financial/SCM and Stores)		5 821
-Spiph Transformers (PTY) Ltd (Technical Services)		26 188
-Vaal Office Supplies CC (Technical Services)		2 007
-Bell equipment CO.SA (PTY) Ltd (Technical Services)		8 880
Paultime Trading and Projects - Not on website and advert not signed by MM (Office of the municipal manager)		61 000
Ukwazi Force - No Tender, SCM procedures not followed (Office of the Municipal Manager)		1 883 530
PP Nhlapo IT Services - SCM procedures not followed (Office of Municipal manager)		62 090
Sasolburg Monitoring and Response Unit - SCM procedures not followed (office of municipal manager)		58 995

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Bosele Motaung and Mashinini Construction projects trading - No tender, SCM procedures not followed (office of municipal manager)		1 595 600
Rentokil - No Tender, SCM procedures not followed (Corporate)		202 380
Naledi Industrial Hardware - No advert, tax clearance or SCM report (Social services)		53 000
Motsoeneng Trading Transport Projects - Transport funeral. No advert and tax certificate (Social services)		38 500
Stormy Seasons Trading and Projects - Register of suppliers on database (SCM)		76 925
Esemble Trading 2053 CC - Public safety uniform. Not advertised on website and notice board (Social services)		120 122
Mzu-Mass Architects, Urban designers and Town Planners - Review Spatial development framework. No tender (LED)		136 800
Equity Office Automation/Nashua Vaal - Multifunctional Printers. Service provider not on database (Office of municipal manager)		53 010
Teriskano Trading - Fencing Oranjeville. Not advertised on website and no tax clearance (Social services)		87 780
Dombi Trading - Supply calenders and diaries (Office of municipal manager)		97 293
Glamour Marketing - Quarterly report SCM. No advertising (SCM)		189 000
Destiny B&B Conference Facility - Catering and decoration for ex mayor inauguration. Advert not on Notice board (Office of the mayor)		150 000
Omhole Construction - upgrading water works. Supplier not on database (Technical Services)		60 403
Silverton Radio - Supplier not on database (Technical services)		25 836
VML Treading - Supplier not on database (Social services)		103 880
Ayanda Mbanga - No three quotations, No deviation report, no tax clearance certificate (Office of the municipal manager)		29 736
Mooi Vaal Media - SCM (Office of the municipal manager)		5 262

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## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Motsoeneng Taxis - SCM (office of the municipal manager)		33 772
Motsoeneng Taxis - Transport to Provincial meeting. Not advertised on notice board, no tax clearance certificate (Office of the mayor)		166 360
Public safety uniform (Social services)		57 023
One quotation, no tax clearance certificate		132 497
Gous Vertue and Associates - Supplier not on database. Only one quotation (Social services)		29 900
Lema Printing and Media house - Only one quotation (Office of the municipal manager)		45 000
Puisand - Only one quotation (Office of the municipal manager)		14 500
Spargo Mica Hardware - Supplier not on database. Only one quotation (Technical Services)		25 751
Multi Waste Florida - Lease of trucks cleansing (Social services)		712 320
Hlaba's Consulting Media - Quotations obtained in contradiction with SCM Regulations and section 117 of MFMA (Office of the Municipal Manager)		6 200
Rebathwere Security - No agreement in terms of numbers, rates and period (Office of the municipal manager)		153 428
Sello Office Media - The proper SCM process was not followed (Office of the municipal manager)		198 500
Isamon Integrated Services - The facilitation for youth summit. In terms of the supply chain management procedures the tender must be advertised in newspapers for 14 days. The proper tender process was not followed (Office of the mayor)		285 000
Basia Tours - Transport of staff to Bethlehem hospital and back. Three quotations should be obtained (Office of the municipal manager)		2 600
Bosele - Service was for safe guarding and patrol at the municipality and executive mayor parlour. The appointment of the security company was not done in line prescribed by Supply chain management regulations (Office of the mayor)		44 700
Agobel Productions - Tourism celebrations, one quotation (LED)		28 500

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## Notes to the Annual Financial Statements

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<b>51. Irregular expenditure (continued)</b>		
Mrs M M Lebeko - Tourism celebrations, one quotation (LED)		29 400
RV Events Management CC - Tourism celebrations, two quotations (LED)		22 500
Lefatshe la rona trading - Appointment of a service provider to provide catering and sound system for the event of wellness day (Corporate services)		18 912
Dream finders trading and projects - Appointment of a service provider to provide catering services, tents, tables and chairs for Groenpunt Arts and culture rehabilitation jazz festival held on the 30th of October 2011 (Office of the mayor)		38 200
Stormy Seasons Trading and Projects - Appointment of an event coordinator to facilitate the executive mayor's inauguration ceremony (Office of the mayor)		350 154
ATN Productions - DVD's, Projector screens and a music system for Ntai memorial lecture. In terms of regulation 18 of the SCM all the requirements above R 30 000.00 (VAT inclusive) are to be procured by means of formal written price quotation and be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained (Office of the speaker)		55 000
Ehlathini Music Entertainment - Gospel live performance and purchasing of CD's. In terms of regulation 16 of the SCM in relation with the municipal SCM policy all the requirements above R 2000 (VAT inclusive) three quotations must be submitted. The correct SCM procedures were not followed. The memo doesn't even state the reasons for the procurement (Office of the mayor)		22 000
Elgima Trading CC - Catering and performance (mayor's donation). No indication as to how was this service provider contracted. The quotations were not sourced from the municipal database (Office of the mayor)		15 800
Motsoeneng Trading and Projects - Transport and catering for Mandela Day. The correct SCM procedures were not followed. Only two quotations were submitted (Office of the mayor)		25 000
No declaration of interest was available for the service provider (Office of the mayor)		46 800



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Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Sedgars - T Shirts for Ntai memorial lecture. In terms of regulation 18 of the SCM all the requirements above R 30 000.00 (VAT inclusive) are to be procured by means of formal written price quotations and be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained (Office of the speaker)		45 600
Motsoeneng taxis - Transport of women to the celebration of international women's month at Zomba Stadium in Namahadi. Supply Chain Management procedures were not followed (Office of the mayor)		58 890
Morwenyane Transport - Transport of staff to the Eastern Cape for a funeral. Only supply chain management can source quotations from the database and departments are not allowed to obtain their own quotations (Social services)		23 600
Morwenyane Transport - Transport of staff to Arlington for a funeral. Only supply chain management can source quotations from the database and departments are not allowed to obtain their own quotations (Social services)		2 500
Zaliocube - Transport of staff to Heilbron for a funeral. Three quotations were not obtained as required per supply chain management policy (Social services)		16 800
Motsoeneng Taxis - Transport of community to Bethlehem for Freedom Day celebrations. SCM regulations were not followed (Office of the mayor)		80 400
Makhadzo Trading Projects - The correct SCM procedures were not followed ( Office of the mayor)		65 000
Nando's Sasolburg - Catering for office of the Mayor (Office of the Mayor)		12 019
Motsoeneng Trading Projects - Catering for office of the mayor. The did obtain own quotations (Office of the mayor)		84 750
Moroka Attorneys - The correct SCM procedures were not followed (Corporate services)		326 296
Majavu Inc - Civil matters : Sizamekaar Construction CC, Subway Trading and Invest (Corporate services)		473 963
Bosele Security - Mayor's monthly security. The correct SCM procedures were not followed when appointing the service provider (office of the mayor)		178 800

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Bosele (Mataung & Mashinini Construction & Projects trading) - mayor's monthly security. The correct SCM procedures were not followed when appointing the service provider (Office of the mayor)		447 000
One off design - Supply, install & commissioning of CCTV surveillance system at Chris Hani Pay Point.		74 533
Supply, installation and commissioning of access control system civic centre. The correct SCM procedures were not followed (Office of the municipal manager)		65 260
One Off Design - Supply, installation and commissioning of security. Surveillance system: Financial services. The correct SCM procedures were not followed (Office of the municipal manager)		199 853
Lexus Security - Appointment of security guards at all pay points within Metsimaholo. Supply chain processes were not followed with regards to the appointment for the service provider. The security services has been long been outsourced and to this effect a contract was concluded in 2008 (Office of the municipal manager)		2 134 060
SMR Security - Repair of alarm system at all pay points in Metsimaholo. In terms of regulation 18 of the SCM all the requirements above R 30 000.00 (Vat inclusive) are to be procured by means of formal written price quotations and be advertised at least seven days on the municipal notice board and website. The correct SCM processes did not take place. Only one quotation was obtained (Office of the municipal manager)		41 630
Siyabuselela Trading - Fencing services in Vaalpark. The correct SCM procedure was not followed (Office of the municipal manager)		205 243
Siyabuselela Trading Enterprise 197 - There was no declaration of interest for this supplier.		1 353 302
Ntja Molefi Trading and Transport - Catering for tourism day celebrations. Quotation for the same event were obtained by the department amounting to R 58 005.00. The correct SCM procedure was not followed (LED)		28 800
Tsentle events company - Catering for tourism day celebrations. Quotation for the same event were obtained by the department amounting to R 58 005.00. The correct SCM procedure was not followed (LED)		29 205

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Ndobela Attorneys - Mediation : Prominent Corporate Services CC Boiketlong Tenants. Legal Opinion : Mr PP Seshea (Corporate Services)		305 566
Leba & Associated Attorneys - Metsimaholo//IMATU obo. Kriel/SAMWU//Urgent Application. Metsimaholo//WFJ Coertzen (Corporate services)		391 465
Termination of service provider - Niel de Klerk		30 239
Contract review		46 862
Drafting of delegation of Powers for the MM and the Speakers office.		108 300
Civil Matter : Niel de Klerk		71 224
Vetting of suppliers on SCM database		199 500
Drafting of lease agreements and SLA's		188 100
Compliance register (Corporate services)		235 741
Lefatshe la rona trading - Appointmen of a service provider to provide catering and sound system for the event of wellness day (Corporate services)		85 750
<b>Irregular expenditure transferred from under investigation in prior year</b>		
Various Service Providers - No declaration of interest and three written or verbal quotations not obtained		914 504
Various Service Providers - No declaration of interest		1 686 719
Various Service Providers - There were no three written or verbal quotations obtained.		123 301
Various Service Providers - No declaration of interest and not registered in the list of accredited prospective bidders.		138 973
Various Service Providers - Not registered with CIBD, three written or verbal quotations not obtained and no declaration of interest.		146 510
Sifo Consulting Engineers - Three written or verbal quotations not obtained and not registered with CIBD		1 275 934
Lexus Security - Not registered in the list of accredited prospective bidders.		350 101

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Batlokoa Begrafnisdienste - No declaration of interest, three written or verbal quotations not obtained and no indication that quote was accepted by appropriate delegated official.		39 474
Snyman's Auto Bodyworks - No declaration of interest, three written or verbal quotations not obtained, cheapest quote not accepted and not registered with CIBD.		17 051
Stormy Seasons Trading and Projects - No declaration of interest, three written or verbal quotations not obtained, cheapest quote not accepted and not registered in the list of accredited prospective bidders.		256 930
One Off Design CC - Not registered in the list of accredited prospective bidders and cheapest quote not accepted.		496 179
		<b>71 670 326</b>

### Details of irregular expenditure condoned - current year

Payment to Nando's Sasolburg: R 1 846.20. Catering for 22 physically challenged children from Deneysville as part of Mandela Day. The quotation was not obtained by Supply Chain Management.	1 619
Payment to Mbele Taxi Transport Service: R1 500.00. Councillors were transport from Metsimaholo to Parys to attend Mandela Day. The quotation was obtained outside the official procurement procedures of the Municipality	1 500
Payment to PUISANO: R24 500. SCM procedures not followed	24 500
Payment of R9 944 to Kolomaka Investment & Services for delivery of portable water to Mooidraai. Service provider not registers on database.	9 944
Payment of R1 700 to T S Xaba Photo and Video Services for photos and video shooting for 67 minutes of Mandela Day Celebrations . Service provider is not on the database	1 770
Payment of R4 533.95 to Buffalo Creek Spur for lunch with Miss little Teen world. Service provider is not on the database	3 977
Payment to Mail a Million: R 38 712.23. Post of accounts, as well as put accounts in envelopes. Service Provider not on the database and/or there is no contract Payment of R358.26 to Fax and Copier Clinic. Service Provider not on the database.	38 712

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>51. Irregular expenditure (continued)</b>		
Payment of R358.26 to Fax and Copier Clinic. Service Provider not on the database.	351	
Payment of R46 293.62 to the Merchant West. There is no contract between Merchant West and the Municipality.	40 608	
Payment of R25 803.22 to Huge Telecom.No SLA or register on database	22 634	
Payment to Stonehenge for Strategic Planning Session to take place on the 7 and 8 March 2013 for 48 Delegates. Correct SCM processes were not followed	67 159	
Payment to Ehladini Music Entertainment for Sound for the heritage month celebration in Deneysville Correct SCM processes were not followed (3 quotation not obtained )	12 000	
Payment to ATN Production for photographer during the guidance week. Correct SCM processes were not followed	4 955	
Payment to Puisano/Lema printing and media house for Adverts in Puisano council meeting and representative forum on IDP . Deviation not signed by the MM	22 000	
Payment to Mooivaal Media for Adverts in Sasolburg Ster Public notice on council meeting. Deviation not signed by the MM	16 421	
	<b>268 150</b>	
<b>Details of irregular expenditure condoned - prior year</b>		
Jacobsco - Inadequate quotations Amount irrecoverable and be written off Measures introduced to rectify and prevent further incurrence of this expenditure		722 041
Zenfer - No tender Amount irrecoverable and be written off Measures introduced to rectify and prevent further incurrence of this expenditure		386 414
		<b>1 108 455</b>
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year fee	1 575 888	1 473 309
Amount paid - current year	(1 575 888)	(1 473 309)
	-	-

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Audit fees

Opening balance	2 028 071	2 446 327
Current year fee	4 274 850	3 392 612
Amount paid - current year	(6 382 583)	(4 013 675)
Interest	79 662	202 807
	<b>-</b>	<b>2 028 071</b>

#### PAYE and UIF

Current year	23 117 686	20 893 495
Amount paid - current year	(23 117 686)	(20 893 495)
	<b>-</b>	<b>-</b>

#### Pension and medical aid deductions

Current year subscription	41 233 578	39 790 081
Amount paid - current year	(41 233 578)	(39 790 081)
	<b>-</b>	<b>-</b>

#### VAT

VAT receivable	3 563 897	5 384 647
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VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Khonto MW (Acc no 528629) Arrangements	-	6 787	6 787
Maseko VJ (Acc no 611123 & 793669) Arrangements	-	19 750	19 750
Motloung DN (Acc no 510127 & 575993) Arrangements	-	6 194	6 194
Msimanga MJ (Acc no 556692, 576889 & 579959) Arrangements	-	19 097	19 097
Nthebe MD (Acc no 104154)	-	79 579	79 579
	<b>-</b>	<b>131 407</b>	<b>131 407</b>

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 52. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2012

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Holt S (Acc no 794737) Arrangements	-	5 130	5 130
Khonto MW (Acc no 528629)	-	8 105	8 105
Mofokeng TJ (Acc no 511539)	-	5 581	5 581
Motloung DN (Acc no 510127)	-	7 402	7 402
Msimanga M (Acc no 556692)	-	19 340	19 340
Nthebe MD (Acc no 104154)	-	73 369	73 369
	-	<b>118 927</b>	<b>118 927</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

### 54. Budget differences

#### Material differences between budget and actual amounts

1. Service charges - Electricity sales that were less than the budget, only 77.5% of budget.
2. Rental of facilities and equipment - The budget was not met on the rental of facilities at the recreational facilities.
3. Interest trading - The budget exceeded, more consumers were in arrears than anticipated.
4. Licences and permits - The budget on public vehicle licences and street trading licences were more than actual receipts.
5. Fines - Traffic fines were budgeted for R12 million and only R4 million was collected.
6. Investments interest - The interest earned on Sanlam contributor that the budget was exceeded.
7. Property rates - Property rates levied exceeded the budget.
8. Government grants - All the grants were received as per budget.
9. Personnel - The salary budget was not spent fully as problems were experienced with appointment of staff.
10. Remuneration of councillors - 94% of budget was incurred.
11. Depreciation - A change of estimate contribution that only 57% of budget was allocated.
12. Finance Cost - The total loan of DBSA was not taken up as projected in the budget only R9 million was disbursed.
13. Debt impairment - The actual lower payment rate as the budget assumption contribute to the increase in actual debt impairment.
14. Repairs and maintenance - The actual expenditure versus budget is 44% and is a result of cash flow problems experienced.
15. Bulk purchases - 93% of the budget was spend.

# Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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### 54. Budget differences (continued)

16. Contracted services - The budget was 100% spend.

17. Grants and subsidies - The actual allocations is 98% of the budget.

18. General expenditure - The projection as per budget was not met due to operational matters.

19. Profit on sale of assets - R9 million was budgeted for sale of land but the implementation of the selling of land is still in process.

### Differences between budget and actual amounts basis of preparation and presentation

The budget is approved on an accrual basis by functional classification. The approved budget covers the period from 1 July 2012 to 30 June 2013. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements basis agree to budget basis, no differences.

### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.



**Metsimaholo Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
Long term loan	9002663 30 June 2020	-	9 000 000	-	9 000 000	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	9 000 000	-	9 000 000	-	-
		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
<b>Other loans</b>							
Infrastructure Finance Corporation Limited	07 May 2014	-	6 436 878	-	6 436 878	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	6 436 878	-	6 436 878	-	-
<b>Lease liability</b>							
HP Financial Services Holding Company Ltd	2715126909 01 June 2014 ZAF1	-	12 516 576	-	12 516 576	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

**Metsimaholo Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	12 516 576	-	12 516 576	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Government loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Total external loans</b>							
		-	-	-	-	-	-
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		-	9 000 000	-	9 000 000	-	-
Bonds		-	-	-	-	-	-
Other loans		-	6 436 878	-	6 436 878	-	-
Lease liability		-	12 516 576	-	12 516 576	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-

**Metsimaholo Local Municipality**  
**Appendix A**

**Schedule of external loans as at 30 June 2010**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2012</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2013</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	<b>27 953 454</b>	-	<b>27 953 454</b>	-	-

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2013**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	66 413 697	-	-	-	-	-	66 413 697	-	-	-	-	-	-	66 413 697
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	130 096 171	-	(1 229 728)	-	-	-	128 866 443	(44 328 397)	(106 827)	-	(2 587 527)	-	(47 022 751)	81 843 692
	<b>196 509 868</b>	<b>-</b>	<b>(1 229 728)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195 280 140</b>	<b>(44 328 397)</b>	<b>(106 827)</b>	<b>-</b>	<b>(2 587 527)</b>	<b>-</b>	<b>(47 022 751)</b>	<b>148 257 389</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	696 434 959	10 042 420	-	-	-	-	706 477 379	(437 182 562)	-	-	(21 054 113)	-	(458 236 675)	248 240 704
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	220 163 008	7 416 598	-	-	-	-	227 579 606	(100 306 924)	-	-	(6 054 867)	-	(106 361 791)	121 217 815
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	400 608 964	21 555 972	-	-	-	-	422 164 936	(242 805 632)	-	-	(7 016 312)	-	(249 821 944)	172 342 992
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	195 681 150	27 543 791	-	-	-	-	223 224 941	(87 188 884)	-	-	(2 940 597)	-	(90 129 481)	133 095 460
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85 719	-	-	-	-	-	85 719	(65 818)	-	-	(1 052)	-	(66 870)	18 849
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3 724 168	545 947	-	-	-	-	4 270 115	(536 986)	-	-	(79 248)	-	(616 234)	3 653 881
	<b>1 516 697 968</b>	<b>67 104 728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 583 802 696</b>	<b>(868 086 806)</b>	<b>-</b>	<b>-</b>	<b>(37 146 189)</b>	<b>-</b>	<b>(905 232 995)</b>	<b>678 569 701</b>
<b>Community Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
	<b>561 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561 000</b>
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	22 521 601	9 704 192	-	(2)	-	-	32 225 791	(17 017 985)	-	-	837 274	-	(16 180 711)	16 045 080
Plant & equipment	15 478 053	464 486	-	(7 726)	-	-	15 934 813	(9 066 138)	-	-	(277 660)	-	(9 343 798)	6 591 015
Computer Equipment	7 821 262	196 951	-	-	-	-	8 018 213	(5 143 367)	-	-	72 389	-	(5 070 978)	2 947 235
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	5 954 054	1 101 255	-	11 354	-	-	7 066 663	(4 548 598)	-	-	480 000	-	(4 068 598)	2 998 065
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	51 616 608	-	-	-	-	-	51 616 608	(38 669 509)	-	-	(4 674 395)	-	(43 343 904)	8 272 704
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>103 391 578</b>	<b>11 466 884</b>	<b>-</b>	<b>3 626</b>	<b>-</b>	<b>-</b>	<b>114 862 088</b>	<b>(74 445 597)</b>	<b>-</b>	<b>-</b>	<b>(3 562 392)</b>	<b>-</b>	<b>(78 007 989)</b>	<b>36 854 099</b>

**Metsimaholo Local Municipality**  
**Metsimaholo Local Municipality**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	196 509 868	-	(1 229 728)	-	-	-	195 280 140	(44 328 397)	(106 827)	-	(2 587 527)	-	(47 022 751)	148 257 389
Infrastructure	1 516 697 968	67 104 728	-	-	-	-	1 583 802 696	(868 086 806)	-	-	(37 146 189)	-	(905 232 995)	678 569 701
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	103 391 578	11 466 884	-	3 626	-	-	114 862 088	(74 445 597)	-	-	(3 562 392)	-	(78 007 989)	36 854 099
	<b>1 817 160 414</b>	<b>78 571 612</b>	<b>(1 229 728)</b>	<b>3 626</b>	<b>-</b>	<b>-</b>	<b>1 894 505 924</b>	<b>(986 860 800)</b>	<b>(106 827)</b>	<b>-</b>	<b>(43 296 108)</b>	<b>-</b>	<b>1 030 263 735</b>	<b>864 242 189</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	488 121	87 791	-	-	-	-	575 912	(353 914)	-	-	44 848	-	(309 066)	266 846
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>488 121</b>	<b>87 791</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575 912</b>	<b>(353 914)</b>	<b>-</b>	<b>-</b>	<b>44 848</b>	<b>-</b>	<b>(309 066)</b>	<b>266 846</b>
<b>Investment properties</b>														
Investment property	79 669 762	-	(1 353 000)	-	-	-	78 316 762	(410 262)	-	-	(25 791)	-	(436 053)	77 880 709
	<b>79 669 762</b>	<b>-</b>	<b>(1 353 000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78 316 762</b>	<b>(410 262)</b>	<b>-</b>	<b>-</b>	<b>(25 791)</b>	<b>-</b>	<b>(436 053)</b>	<b>77 880 709</b>
<b>Total</b>														
Land and buildings	196 509 868	-	(1 229 728)	-	-	-	195 280 140	(44 328 397)	(106 827)	-	(2 587 527)	-	(47 022 751)	148 257 389
Infrastructure	1 516 697 968	67 104 728	-	-	-	-	1 583 802 696	(868 086 806)	-	-	(37 146 189)	-	(905 232 995)	678 569 701
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	103 391 578	11 466 884	-	3 626	-	-	114 862 088	(74 445 597)	-	-	(3 562 392)	-	(78 007 989)	36 854 099
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	488 121	87 791	-	-	-	-	575 912	(353 914)	-	-	44 848	-	(309 066)	266 846
Investment properties	79 669 762	-	(1 353 000)	-	-	-	78 316 762	(410 262)	-	-	(25 791)	-	(436 053)	77 880 709
	<b>1 897 318 297</b>	<b>78 659 403</b>	<b>(2 582 728)</b>	<b>3 626</b>	<b>-</b>	<b>-</b>	<b>1 973 398 598</b>	<b>(987 624 976)</b>	<b>(106 827)</b>	<b>-</b>	<b>(43 277 051)</b>	<b>-</b>	<b>1 031 008 854</b>	<b>942 389 744</b>

**Metsimaholo Local Municipality**  
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**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2012**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	66 413 697	-	-	-	-	-	66 413 697	-	-	-	-	-	-	66 413 697
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	129 552 153	574 018	-	-	-	-	130 126 171	(89 500 939)	-	-	(6 016 090)	-	(95 517 029)	34 579 142
	<b>195 965 850</b>	<b>574 018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196 539 868</b>	<b>(89 500 939)</b>	<b>-</b>	<b>-</b>	<b>(6 016 090)</b>	<b>-</b>	<b>(95 517 029)</b>	<b>100 992 839</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	687 161 341	9 823 391	-	-	-	-	696 984 732	(415 636 939)	-	-	(21 545 623)	-	(437 182 562)	259 802 170
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	206 648 848	13 514 160	-	-	-	-	220 163 008	(94 243 368)	-	-	(6 063 556)	-	(100 306 924)	119 856 084
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	386 549 966	14 058 998	-	-	-	-	400 608 964	(235 784 673)	-	-	(7 020 959)	-	(242 805 632)	157 803 332
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	186 833 516	8 847 634	-	-	-	-	195 681 150	(84 255 081)	-	-	(2 933 803)	-	(87 188 884)	108 492 266
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85 719	-	-	-	-	-	85 719	(62 689)	-	-	(3 129)	-	(65 818)	19 901
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	2 621 735	1 102 433	-	-	-	-	3 724 168	(482 119)	-	-	(54 867)	-	(536 986)	3 187 182
	<b>1 469 901 125</b>	<b>47 346 616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 517 247 741</b>	<b>(830 464 869)</b>	<b>-</b>	<b>-</b>	<b>(37 621 937)</b>	<b>-</b>	<b>(868 086 806)</b>	<b>649 160 935</b>
<b>Community Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Metsimaholo Local Municipality**  
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**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
	<b>561 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>561 000</b>
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
General vehicles	22 521 601	-	-	-	-	-	22 521 601	(14 079 123)	-	-	(2 860 826)	-	(16 939 949)	5 581 652
Plant & equipment	12 623 237	2 854 816	-	-	-	-	15 478 053	(7 556 657)	-	-	(1 374 729)	-	(8 931 386)	6 546 667
Computer Equipment	7 809 763	11 499	-	-	-	-	7 821 262	(3 956 190)	-	-	(1 184 645)	-	(5 140 835)	2 680 427
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	5 704 682	249 372	-	-	-	-	5 954 054	(3 848 410)	-	-	(702 635)	-	(4 551 045)	1 403 009
Office Equipment - Leased	52 213 995	-	-	-	-	-	52 213 995	(26 124 198)	-	-	(12 929 014)	-	(39 053 212)	13 160 783
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>100 873 278</b>	<b>3 115 687</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103 988 965</b>	<b>(55 564 578)</b>	<b>-</b>	<b>-</b>	<b>(19 051 849)</b>	<b>-</b>	<b>(74 616 427)</b>	<b>29 372 533</b>



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**Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	195 965 850	574 018	-	-	-	-	196 539 868	(89 500 939)	-	-	(6 016 090)	-	(95 517 029)	100 992 839
Infrastructure	1 469 901 125	47 346 616	-	-	-	-	1 517 247 741	(830 464 869)	-	-	(37 621 937)	-	(868 086 806)	649 160 935
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	100 873 278	3 115 687	-	-	-	-	103 988 965	(55 564 578)	-	-	(19 051 849)	-	(74 616 427)	29 372 538
	<b>1 767 301 253</b>	<b>51 036 321</b>	-	-	-	-	<b>1 818 337 574</b>	<b>(975 530 386)</b>	-	-	<b>(62 689 876)</b>	-	<b>1 038 220 262)</b>	<b>780 087 312</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	488 121	-	-	-	-	-	488 121	(329 371)	-	-	(24 543)	-	(353 914)	134 207
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>488 121</b>	-	-	-	-	-	<b>488 121</b>	<b>(329 371)</b>	-	-	<b>(24 543)</b>	-	<b>(353 914)</b>	<b>134 207</b>
<b>Investment properties</b>														
Investment property	44 369 480	35 300 282	-	-	-	-	79 669 762	(384 593)	-	-	(25 669)	-	(410 262)	79 259 500
	<b>44 369 480</b>	<b>35 300 282</b>	-	-	-	-	<b>79 669 762</b>	<b>(384 593)</b>	-	-	<b>(25 669)</b>	-	<b>(410 262)</b>	<b>79 259 500</b>
<b>Total</b>														
Land and buildings	195 965 850	574 018	-	-	-	-	196 539 868	(89 500 939)	-	-	(6 016 090)	-	(95 517 029)	100 992 839
Infrastructure	1 469 901 125	47 346 616	-	-	-	-	1 517 247 741	(830 464 869)	-	-	(37 621 937)	-	(868 086 806)	649 160 935
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 000	-	-	-	-	-	561 000	-	-	-	-	-	-	561 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	100 873 278	3 115 687	-	-	-	-	103 988 965	(55 564 578)	-	-	(19 051 849)	-	(74 616 427)	29 372 538
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	488 121	-	-	-	-	-	488 121	(329 371)	-	-	(24 543)	-	(353 914)	134 207
Investment properties	44 369 480	35 300 282	-	-	-	-	79 669 762	(384 593)	-	-	(25 669)	-	(410 262)	79 259 500
	<b>1 812 158 854</b>	<b>86 336 603</b>	-	-	-	-	<b>1 898 495 457</b>	<b>(976 244 350)</b>	-	-	<b>(62 740 088)</b>	-	<b>1 038 984 438)</b>	<b>859 481 011</b>

Metsimaholo Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun		Yes/ No	
MIG		-	16 281	19 764	11 073	-	-	14 332	11 779	11 779	11 779	-	-	-	-	(2 551)	Equitable share used	Yes	
DOE		-	8 000	2 000	-	-	-	937	1 615	-	8 023	-	-	-	-	(575)	Equitable share used	Yes	
MSIG		-	-	800	-	-	-	9	221	199	371	-	-	-	-	-		Yes	
WSOG		-	1 165	1 165	1 167	-	-	51	1 258	-	2 188	-	-	-	-	-		Yes	
FMG		-	1 500	-	-	-	-	271	299	365	565	-	-	-	-	-		Yes	
EPWP		-	559	418	-	418	-	689	356	342	8	-	-	-	-	-		Yes	
		-	27 505	24 147	12 240	418	-	16 289	15 528	12 685	22 934	-	-	-	-	(3 126)			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Note: The above figures have been rounded to the nearest one thousand rands (R'000).